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PROCEEDINGS  
OF THE  
FIRE UNDERWRITERS'

ASSOCIATION OF THE PACIFIC,

FOR THE

*Years 1877 and 1878,*

AT

SAN FRANCISCO,

CALIFORNIA.

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1878.

## HISTORY OF ORGANIZATION

THE great fire in Virginia City, Nev., in October, 1875, necessitated the service of some thirty-four adjusters for Companies doing business on this Coast, and the "*Fire Underwriters' Association of the Pacific*" was the legitimate outgrowth of that gathering. For mutual protection and to facilitate the adjustment of the many losses there, a meeting was called for October 28th, in the "Palace Car" which was sidetracked and occupied by many of the fraternity, at which Mr. B. F. Low was made chairman, and J. W. Staples, Secretary. Meetings were held from day to day and proved of great advantage to all concerned.

At the meeting of November 13, 1875, the idea of a permanent organization took definite shape, by the adoption of resolutions perpetuating the Association as a "means of disseminating valuable information and elevating and promoting the interest of its members." A committee consisting of L. L. Bromwell, H. H. Bigelow and J. R. Garniss, was appointed to draft a Constitution and By-Laws, who made their report at a meeting called for the purpose and held in San Francisco, February 23, 1876, at which time the present Association was permanently organized.

Founded on the broadest principles of united effort, the Pacific Association has corrected abuses, induced thought, fostered correct practices, produced valuable essays and statistics, and from its very inception has steadily increased in members and influence.

Dec. 19, 1876 - <sup>months meeting</sup> ~~First~~ <sup>+ Organization</sup> Regular Meeting  
of "Fire Underwriters' Association of the Pacific"  
took place at Rooms of Fire Patrol S. F.  
See "Coast Review," Jan. 1877

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1877-1885

PROCEEDINGS  
OF THE  
FIRST ANNUAL MEETING  
OF THE  
FIRE UNDERWRITERS' ASSOCIATION  
OF THE PACIFIC.

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The First Annual Meeting of the FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC was held in the room of the Underwriters Fire Patrol, at two o'clock P. M., Tuesday, February 20th, 1877.

The meeting was called to order by L. L. Bromwell, Esq., Chairman of the Executive Committee, and upon call A. R. Gunnison, Esq., was elected Chairman *pro tempore*, and thereupon was conducted to the chair, when the regular order of business was in form—the roll being called, and on motion, the reading of the minutes of previous meeting was dispensed with.

Letters from Chas D. Haven and C. T. Hopkins, of the Fire and Marine Boards, were read by the Secretary, when Mr. Jacobs offered the following preamble and resolutions:

WHEREAS, The Secretary of the Board of Fire Underwriters of San Francisco having notified this Association that the Board at their last meeting, by a unanimous vote, granted the use of their room for the meetings of this Association, free of charge, on any day when not in use by the Fire and Marine Boards of Underwriters, and the Marine Board having, by resolution, concurred in the above; and

WHEREAS, The Secretary having also received from Messrs. Chas. E. Bliven and J. B. Bennett, copies of proceedings of the Association of the Northwest and speech by Mr Bennett; therefore, be it

*Resolved*, That the thanks of this Association be and are hereby extended to the Boards of Fire and Marine Underwriters for the prompt, cheerful and unanimous vote, to allow this Association the free use of their room for the meetings of this Association, when not in use by the Boards of Underwriters.

*Resolved*, That the regular monthly meetings of this Association be held in the room of the Board of Fire Underwriters of San Francisco, on the third (3d) Tuesday of each month, at two (2) o'clock p. m.

*Resolved*, That the Secretary be directed to inform the Boards of Fire and Marine Underwriters of the foregoing.

*Resolved*, That the thanks of the Association are due for the courtesy shown by Chas. E. Bliven, Esq., President of the Association of the Northwest, in sending copies of proceedings of the Association of the Northwest for the years 1875 and 1876. Also, to J. B. Bennett, Esq., for copies of his valuable address to the Association of the Northwest.

Adopted.

Committee on Revision of Constitution and By-Laws handed in a revised Constitution and By-Laws, which was read, and on motion of Mr. Dornin, was ordered received, and that it be printed and proof-sheets be handed each member, to be reported upon at next meeting.

Adopted.

Mr. Bromwell, of Committee on Losses and Adjustments, then delivered the following

### ADDRESS:

*Mr. President and Gentlemen of the Fire Underwriters' Association of the Pacific*—By way of apology for the imperfections of this our exordial report, we desire to mention that it was conceived in doubt and born in haste, owing to the absence of our chairman, whose varied and protracted experience would have, no doubt, added largely to your entertainment and *our* credit as a committee. Depending on this source for our annual report, it was not until a few days since that our Secretary placed the responsibility on shoulders keenly alive to their inherent feebleness.

One year ago, our Association was organized for the principal object of promoting harmony and good practice among the adjusting profession; the organization was prompted by the apparent advantages emanating from the free interchange of opinions, the consolidating of interests as improving on the limited influence of individual effort and the expeditious handling of losses as witnessed after the memorable Virginia City fire just preceding.

It is not drawing too largely on our imagination to assert that some of the benefits of the Association have already been experienced; the discussion of practical topics has proven energizing and valuable, confidence in each other enhanced by closer communion and acquaintance; but better than all else, this affiliation is a rapid and determined stride towards making the position of an adjuster as *respected* as it certainly is *respectable*. We regard this latter a most natural affinity of the science, and worthy of the thoughtful consideration of this Association.

A great deal has been said at one time or another of the follies or indiscretions of the inexperienced and the evil effects of such practitioners on the general profession. Admitting that proficiency has its cost, it certainly had a beginning also, and our younger brethren, impressed with the trials and responsibilities of their position, are seldom lacking in that good common sense, the pre-requisite of success in this as much as any other calling.

To such we extend the "right hand of fellowship," simply asking in exchange the adoption of honorable practice, the exercise of candid good faith and those genuine courtesies which are after all, the crystallization of a business gentleman's composition.

But there is another class, few in number, and "growing beautifully less" every day, who do more to damage the profession in one day than a regiment of adjusting novices in a life-time.

We refer to men possessing abilities above the average, and who cannot hide behind the silky apologies of incompetency or misunderstanding—that class whose predilections seem to favor a debased appetite for salvage at whatever sacrifice, and who actually barter and sell principle, honor and manhood—men who partake of a hollow joy in the nefarious and detestable trickery which characterizes the vulgar "Smart Alex," in loss adjustments, even to the bespattering and betraying of their more honorable duty-following associates.

This is strong language; but the picture is not overdrawn if we consult even our very modern observations.

It is gratifying, however, that such "moral obliquities" are fast being choked off, and as a final assistance to their down grade, we suggest that this Association adopt stringent measures toward depriving such characters of the benefits of membership, whenever any patent unprofessional conduct or dishonorable practice is proven, and that expulsion means *uncompromising, official non-intercourse* thereafter.

Your committee hoped at this meeting to have presented for your consideration some uniform rule for guidance in apportioning and contributing losses under non-concurrent contracts, and which your adoption would give the impress of authority, and meet with general endorsement and practice so far as this Coast is concerned.

The absolute necessity of some such standard is becoming more and more apparent, as the business extends and losses multiply.

The trade of this department is so limited, that our companies have, to a great extent, avoided these perplexing problems, and yet they *will* crop out,

and set the adjusters maneuvering at once, with the single object in view of figuring the contributing policies with the bulk of the loss. Then follows a multitudinous array of arithmetical talent, supported by a long line of authorities and precedents. Finally the whole case is submitted to arbiters, who generously slice the matter by concessions, and in the vain attempt to please everybody, succeed only in dissatisfying everybody interested.

It is surprising that at this late day no acceptable uniform application, or if necessary, a *variety* of applications, suiting the equities of every conceivable circumstance, has resulted from the large experience and extensive thought given the subject by many master minds of the profession.

As the most effective means of reaching so desirable and apposite a result, we recommend the associate effort of this entire organization, and hope sufficient interest in the subject will be manifested as to invite repeated references to it during our regular meetings throughout the year. Frankly acknowledging a dereliction of duty in this respect, your present committee would suggest to their successors in office earnest endeavors (aided by the general co-operation of the Association), toward consummating, before our next annual meeting, some concerted, definite plan for harmonizing apportionments under non-concurrent tangled-up policies.

There is another subject, only second in importance, in our opinion, to the smoothing away of apportionment under non-concurrent policies: it is the aptitude of the adjuster, especially if he is endowed (as he generally is) with too much large-heartedness, to confound philanthropy with business, magnanimity with equity, policy with even-handed justice!

Wrapt up with a conscientious desire to popularize his principals, a dangerous precedent is established, affecting not only himself, but permeating the future adjustments of that particular section. In this connection it is seen how interested the whole profession must or should be, in every individual member thereof. No sacrifice or concession, the effect of which is likely to hamper or paralyze our associates, ought to be considered, much less acted upon.

Such popularity is purchased at too extravagant figures. It is acquiescence in a wrong, likely to redound. It is a surrender of principle and a parting with manly conviction. It involves treacherous precedents. It is a cowardly avoidance of duty. It is a shirking of responsibility, and a shortsightedness so insidious that years may intervene before its evil effects are felt and appreciated.

At best, the adjuster's position is one of trial, responsibility and care; it means patient waiting and constant work, clear and comprehensive understanding, diligent application and study, which ceases only when the Almighty Adjuster calls for a reckoning. Surrounded by popular clamor on the one side, a sensitive, commission-loving agent on the other, while the *contract* and a sense of duty stare him in the face, the drawing of a line tempered with justice, reason and consistency, is one of the very *fine* duties imposed by the position of loss-adjusting.

Right here we wish to revert to a piece of delusion which many of our pro-

fessional brethren harbor and indulge in—"natural knack." There is no such thing in this business. We venture to say the most experienced find preparation and training quite as essential to-day as it was years ago, in managing important losses. Only the painstaking and cautious unearth the novelties and overcome the obstacles of this, the most intricate business in the commercial world.

In conclusion, somebody has said, "fire is a great renovator," and we might add, as applicable to our interests, a great lubricator also. The general conflagration which suggested our organization, improved the status of the adjusting corps, and prompted the cultivation of a broader plane of thought and action. It has brought us closer together, and tends to the drowning out of jealousies. It makes us more liberal and just with each other, and as we go from here and enter the future orbits our places and positions demand of us, let our aims be honest, sincere, praiseworthy, our pretensions modest, that when the final loss award is made and the last account of our stewardship rendered, our memory will be kept green by the benefits bestowed in life, toward making honored our profession, even as it is regarded honorable. [Applause.]

On motion the report was ordered received and placed on file.

Then followed Mr. W. J. Landers, of the Committee on Forms of Policies, who offered the following

## R E P O R T :

*Mr. President, Fire Underwriters' Association of the Pacific and Gentlemen—* Having been appointed Committee on Forms of Policy at the last annual meeting of the Association, we respectfully submit the following as our report:

We felt at loss to know whether our duties were to be prosecuted in respect to the printed conditions of the various forms of policies now in use, or to the manner of writing or of wording policies. With reference to the first we would remark that, while the great majority of companies have happily united in the use of what is known as the National Board form, a number have forms which vary from each other, and also from the National Board form. It cannot be denied that the existence of these various forms, and the different rules of contribution, much complicates the work of an adjuster, and frequently results in a clash with the assured and between companies. In this connection it is safe to assume that the majority of losses are finally adjusted at the sacrifice of one or more conditions of the policy or policies interested. A. sustains damage by fire and water and removal, holding two or more policies, one of which provides for damage by removal, and others are silent upon that point. It is a matter of great difficulty to ascertain how much of the damage was caused by water, and how much by removal. The companies naturally look for a segregation of the damage; one with a view of requiring the other companies and the assured to contribute under the removal clause,

and the others with a view of avoiding any contribution on the damage by removal. Adjusters representing these clashing interests look askance at each other, and consider how they can best get around the assured and each other, and still preserve interests and friendships. Again, B. insures his retail stock of merchandise in two companies, and the same is damaged mostly in the show-windows; one company specially excepts goods in show-windows, while the other contains no such condition. The assured and the latter company are averse to letting the former office off, *inasmuch* as they cover a stock of goods contained in the brick building, etc., and the show windows are entirely within the outside line of the wall, and urge as well the nullity of printed clauses over written words, etc.

Various solutions of the above, under different circumstances, as well as other instances, might be cited, but the two are enough to illustrate the importance of all companies adopting a uniform policy. Adjusters would become much more efficient, and legal decisions in favor of companies more frequent. In addition, no room for the exercise of various rules of contribution (in itself a great source of annoyance) would then exist, and insurance policies would grow in favor generally. As to the form of policy which would best serve the purpose sought, there is ample room, and much necessity for thought and wisdom. Our brethren of the Northwestern Association have looked into the matter of doing away with the present form of policies entirely; but as this is a stride we can hardly look for, we might rest content for a time if the form known as the National Board Form was adopted by all. We recommend that the influence of this Association be brought to bear in an appropriate manner on all offices where other forms are in use, with a view of bringing about the desired change. The writing of policies, as practiced in various offices, is not, in our opinion, altogether commendable; too much care in framing such a contract cannot be taken. Some offices allow inexperienced country agents to write policies; but your committee do not desire to attack a system to which many of the Association are closely allied. On the other hand, many of the offices place the writing of policies in the hands of their most inexperienced clerk or boy. We call to mind several instances where the ready judge and too willing juries have decided against companies on the ground that the language of the written portion of their contract was too vague to admit of plain interpretation. In this particular your committee would recommend a change, and urge the desirability of this Association, through its individual members, exerting an influence toward having policies written by persons more familiar with the significance of words and punctuation, in this, the most important part of an insurance contract. [Applause.]

On motion ordered received and placed on file.

No report from Committee on Local Agents, and on motion the committee were given more time.

Mr. E. Brown, of Committee on Legislation and Taxation,

prefaced his regular report with an acceptable apology for having to improvise a report the same day of the meeting, having inadvertently left the original at his home in Alameda.

## ADDRESS.

*To the Fire Underwriters' Association of the Pacific:*

GENTLEMEN—The duty of reporting on behalf of the Committee on Legislation and Taxation, in consequence of the manifold engagements of the chairman of the committee, and the absence of the second member, Mr. E. E. Potter, has devolved upon the undersigned. No business has been referred to the committee, and consequently no meeting has been held. In view of the usual enactments passed by the wise solons whom the people of the various States elect to be their law-makers, perhaps the most favorable statement the committee can make, is the negative one of "no business." As a rule, the State Senators and Representatives, being very rarely chosen from the business ranks of the community, bring to bear, on questions brought before them relating to insurance, a wonderfully dense and profound ignorance of the real intention and mission of insurance corporations, and too frequently look upon the capital and accumulations of such companies as their natural prey. This feeling finds its place in the minds of municipal administrators also, and soon the national Government has taken a hand in the game. Whenever it has become necessary to cast about for a source of revenue, nothing has been found more handy than the assets of insurance companies. Hence have arisen income taxes, taxes on gross income, on net income, licenses, dividends, and on capital and fees of every conceivable kind, stamp taxes, State, county and municipal, until frequently it has occurred that a company has been required to pay tens of thousands of dollars for the privilege of doing business at a loss.

The writer remembers the case of the Niagara of New York, which was taxed for one year, on its gross premium from the State of Pennsylvania, nearly \$5,000, when, as a matter of fact, it had paid over \$40,000 more for losses to the citizens of that State than it had received therefrom. Happily the legislators of California, wiser than their brethren of other States, or else not being possessed of equal financial ability, have not burdened the business of insurance with such onerous taxes. What they may in future endeavor to do, no man can foretell. In other respects the California Legislature has had before it and has passed certain bills relative to insurance, and popularly supposed to be for the good of the people of the State in which the member has shown a degree of enlightenment (or want of same) corresponding with the legislators of other States, as the members of this Association are fully aware. Next winter the State law makers again convene, and it may be necessary for us, individually or collectively, to use such influence as we may possess to guard the companies we represent from foolish or iniquitous schemes to harass their business or tax their revenues—schemes which will,

without doubt meet the disapproval and enlist against them the services of every member of the Fire Underwriters' Association of the Pacific.

Respectfully submitted.

On motion, ordered received and placed on file.

Mr. Geo. D. Dornin, Chairman of Committee on Fire Department and Water Supply, delivered the following address, which was listened to with great interest:

### A D D R E S S.

*Mr. President and Gentlemen:*

I should be very glad if I could present the subject allotted to me in a shape to be of practical use to you, but I am not yet advised what phase of the duty of an adjuster comes within the purview of the Standing Committee on Fire Department and Water Supply of this Association.

The committee certainly has had no onerous duties to perform. That it is in your power, as adjusters and special agents, to make valuable suggestions to your principals, the results of your experience as such in the field cannot be gainsaid, and it may be in order, perhaps, if a few thoughts or reminiscences of field work be strung together, and perhaps these may invite other suggestions from your later experience, and from these some practical good may come to those we represent.

The great fires of late years have each developed the fact that cities outgrow the facilities for extinguishing fires with greater rapidity than the public, and especially the tax-paying portion, is willing to admit, and this condition of affairs is only developed by extensive and costly fires.

This is manifestly true of the three great fires with whose history we are most familiar. Chicago, which had the facilities of which it has since availed itself for being one of the best protected cities in the country, had for its sole dependence a solitary system of water works, reaching through tunnel and crib into Lake Michigan, with its pumping machinery situate in the north-east portion of the city, directly in the lee of the strong winds which blow across that city from the thickly built south-west portion, with its acres of lumber yards, factories, etc. Repeated warnings by smaller fires and the advice of the thoughtful ones did not awake the people to a sense of their danger, and the necessity of flanking a fire by a similar system of water supply in that section, until the great fire, commencing three miles away, and hurling tongues of flame far in advance, speedily ignited and destroyed the water works, leaving Chicago, with its vast wealth, a helpless prey.

The million and a half dollars since expended in Chicago would have been a small sum to pay for the comparative immunity she would have enjoyed on that fateful 9th of October. Chicago had outgrown its water system.

Boston, the subsequent year, was another example, although to the horse distemper and other causes was attributed the inability of the firemen to pre-

vent the rapid spread of the fire at its incipency, and it was not until the following May that another heavy fire convinced the Boston people that the water mains and the fire regulations suited to the Boston of 100,000 people were not sufficient for a city of three times the number, with its modern buildings and warehouses six and seven stories in height. Boston promptly acted on the second costly hint, and an expenditure of two and a half millions, and ordinances which give the firemen the right of way through the streets, make Boston one of the best protected cities in the United States.

To come nearer home. How often was the hint given to you, gentlemen, in your individual experience, that if a fire ever got fairly started among the cotton-lined, stove-pipe fringed houses in Virginia City, driven before a "Washoe Zephyr," that the two-inch mains along C street, and the cisterns therein, would be of no more avail than a garden hose in the hands of the firemen, be they ever so effective.

How many of you reported the developments of the several preceding fires in '75, as to the condition of the water supply, and advised his principals to cancel?

I have heard of some, wiser than their fellows, who did; but careful inquiry leads me to think that in one case it was because of being euchered by his chosen appraiser on a building loss, and in another, a scare on the night of the explosion of dynamite in the Bank of California building.

However that may be, the fact exists that, knowing the helpless condition of the city, we all continued to write more or less freely, until the destruction of seven (7) millions of dollars of property, of which the underwriters contributed two millions, revealed the full condition, and brought to reconstructed Virginia City the abundance of water that laid accessible, which only needed the facilities to bring a pressure of 500 feet to bear, before which the strongest building on the Comstock goes down, and which negatives the power of the famed zephyrs from Mount Davidson.

To come still nearer home, have we not heard, time and again, in the board and out of it, in the press and in the streets, that the water supply of San Francisco was not sufficient; that the mains of our city, which were adequate for the San Francisco of ten years ago, are altogether disproportionate for the San Francisco of to-day, with its 300,000 people and multiplying frame buildings, three or four stories in height?

How many of us have taken the hint which the fire on Brannan street gave us last summer on this subject, and have ceased writing south of Market street, pending action of the Spring Valley Water Co. (who have our destinies in their hands) in introducing new and larger mains in that quarter?

We have all too much at stake to invite the costly experience of our sister cities, but it is among the possibilities that the half million fire of last summer may be repeated by one of five millions before "all the modern improvements" of water supply, first-class engines, patent hose, etc., are given us.

As special agents, surveyors, adjusters, or by whatever name we may be distinguished by our companies, we should consider it our duty to press these things in our reports, upon our principals, so that the responsibility may rest

upon them and not upon us, and we may then take whatever comfort we may by complacently saying, when the fire-fiend rejoiceth over his work, "I told you so!"

But, you tell me, the Board of Supervisors and the Board of Underwriters have their standing committees on fire department and water supply, and the Fire Patrol Association has all these things under advisement, and that his Honor the Mayor is an officer in a prominent local insurance company and an active director of the Fire Patrol and has these subjects under his control, we may, therefore, for the present, leave the matter of water supply and improved engines, so far as this city is concerned, to his Honor and the bodies just mentioned, and consider it "none of our funeral."

The field of observation of the special agent and adjuster does not, as a rule, lie so much in this great city as in the other cities and towns on the coast, beyond the immediate observation of his principals; herein he must be the eye of the executive officer, his faithful lieutenant, and I hold that it is of much more importance that he take note of the condition of the water supply and facilities for extinguishing fires, as affecting the desirability of risks and lines to be carried, than it is to make survey of the individual risk, or cultivate the good opinion of the local agent.

An experience of fourteen years, having surveyed as Special nearly every town on the coast and adjusted losses in a majority of them, leads me to say, that the smaller towns, with each its one or two hand-engines, are not altogether unexceptionable places to write liberally in; and I am further prepared to say, and your experience will, I am sure, endorse it, that such towns are always the most clamorous for reduced rates because of such appliances. As a rule, I would prefer to write moderately in a town of a thousand or fifteen hundred inhabitants supplied with its bucket companies, than in a similar town with its hand-engine and hose-cart to depend upon.

In the former case, every citizen is a fireman; his engine is always at hand, and the two score of buckets, well and promptly handled, are worth a torrent of water half an hour later.

It was once my fortune to be stopping over night at Mokelumne Hill; this was some eight or nine years ago, and fires in Amador and Calaveras Counties had made the season pretty lively for the old *Ætna* and *Phoenix* companies, and had kept me dancing attendance on the towns in those counties.

Many of you will remember Mokelumne Hill as one of the towns of early days, famous among those among us who traveled much as having the best hotel in the southern mines—the great stone building of George Leger; he keeps it yet, or rather one which was re-built for him after the fire of three years ago. Now, if there is anything the average special appreciates, it's a good hotel, especially in the mines, and we always arranged our trips so as to swing around and reach George Leger's and tie up. The livery man in that town has made a good many extra hundred dollars by special conveyances, to get the adjuster back to the clean beds, and bountiful French dinners and breakfasts, graced with a bottle of George's mountain claret, from his own vineyard.

Consider these parenthetical remarks as suggested by the pleasant reminiscences which come to mind of those days, before much travel had become drudgery.

On this night I was aroused by the cry of fire, and awoke to find the livery stable opposite in flames, and a frame range evidently doomed.

The town had a first-class fire department, two large hand-engines, hooks and ladders, and a bountiful supply of water; the best men of the town were firemen, and the good people had unbounded confidence in their ability. Our agent there, good Dr. Hoerchner, was special patron of one of the companies, and had the house of one of the engines, the old "Monumental" (Big Six, I think it was), large, handsome, and effective, adjoining him.

Hastily donning my clothes, I ran to the Doctor's and volunteered my services to man the engine. As my strength was not equal to my zeal, I concluded that I could do better at the pipe than at the brake, so, seeing the suction pipe in the well supplied cistern, I hastened to pick up the pipe and direct the coming stream at the fire, which was eating its way toward our position. We waited impatiently; we could hear the shouts of the men and the clang of the brakes, but no water came, and the "Monumental" was out of service for that night. Subsequent investigation showed that through lack of use the pump valves had become dry and would not suck, and a \$6,000 engine was of no use when most needed.

On another occasion it became expedient, in my capacity as secretary, to send out a circular-letter to our agents, in view of the approaching Fourth of July, cautioning them to see that every appliance for extinguishing fires was in order. One of these circulars came into the hands of an agent in a pleasant town of some four or five thousand people, much cultivated by insurance men, which depended upon its one engine for protection. The agent, one of the town trustees, secured the passage of a resolution instructing the engine company to test this apparatus before the Fourth. This was done, and in the trial two or three sections of their small supply of hose proved rotten, and bursted. A new supply was immediately obtained; the Fourth passed without a fire, but a few weeks after, a fire broke out which required the best efforts of firemen and citizens to prevent sweeping the town.

These incidents, and they might be multiplied in your own experience, are brought out to show that little reliance can be placed upon the usual machinery for suppressing fires in the average country town, and this arises primarily from lack of use to keep the machinery in order and the firemen in practice.

And this brings me to the moral to be adduced: That for towns of 5,000 inhabitants or less, one or more "bucket companies," with forty or fifty rubber buckets each, equipped with light ladders and hooks, and casks of water at convenient places, are of vastly more value at the incipency of a fire than the more costly and cumbersome engines. Not that I would ignore the latter, but that they should be considered auxiliary to and supports of the bucket companies.

The solitary engine is most frequently an evil, because of the disposition

of the people at an alarm of fire to await its arrival, instead of springing at once, bucket in hand, to the point of danger.

A zealous man in Boston, Mr. Joseph Bird, recognizing the value of the precious moments at the incipency of fires, which are in many instances lost while awaiting the arrival of the engine, has been urging the more general adoption of a small engine, more like an ordinary portable garden pump, for use at the outbreak, and supports his views as to their value by well fortified statistics.

I am in sympathy with his views, and I would write more freely for my company in the towns supplied with the Bird pump or its equivalent, and a bucket brigade, than I do where the sole dependence is placed upon the usual hand engine or occasionally used steamer.

This subject has led me along to a length not anticipated; it expands as we consider it.

The relative value of the Holly and other systems; of hand and steam power; of paid and volunteer systems, are all within the compass of the subject, and I do not doubt have been considered by each of you, and have probably been embraced in your reports to your companies.

I have not attempted to introduce statistical matter, or even arrange into groupings the various towns, and the character of the protection their respective facilities offer.

All these and the number of fires and relative loss therein, the efficiency or inefficiency of the fire departments and citizens, are essential to a proper understanding of the business of fire underwriting, and may properly come up for discussion at some future meeting.

I have aimed to show:

FIRST—That, whether in small town or larger city, promptness in responding to the alarm is all-essential, and whatever means will soonest bring the extinguisher to bear, be it water, steam, or carbonic acid gas, is the most effective; and

SECOND—That the greatest danger to our companies comes from the neglect to recognize the rapid growth of our cities and towns, and that this growth impairs the efficiency of the water supply, and, to some extent, of the department. [Great applause.]

On motion, Mr. Dornin's report was ordered received and placed on file.

Mr. Brown moved that the members take to mind its valuable suggestions.

Geo. W. Spencer, Chairman of the Committee on Statistics, presented the following report, which was read by the Secretary:

## REPORT OF COMMITTEE ON STATISTICS.

*To the Fire Underwriters' Association of the Pacific :*

GENTLEMEN—Your Committee on Statistics beg leave to report that in view of the fact that but a small portion of the companies doing business on this coast are home companies, the matter of "statistics" must necessarily be meagre and unsatisfactory. But three of our local companies keep a full classification of their business, the larger number of Eastern and foreign agencies having their Pacific Coast business classified together with their losses at the home offices; consequently your committee are unable to make such a report as they would deem of interest to the Association.

Moreover, the Fire Underwriters' Association of the Pacific being an independent body, having no connection, as a whole, with the various companies represented here, your committee do not feel authorized to solicit from many of said companies such information, in the matter of "statistics," as would, perhaps, be cheerfully given if these companies were more directly interested in its actions and reports.

Looking at the matter in this light, your committee can simply suggest that the Association take some steps looking toward a more perfect union of interests between the companies represented on this Coast and themselves, when, no doubt, a greater amount of facts and figures bearing on "statistics" can be obtained, than under our present system.

Respectfully,

[Signed]

GEO. W. SPENCER,

JAS. D. BAILEY,

H. W. SNOW,

Committee.

On motion, was ordered received and placed on file.

Treasurer made his report, which shows a balance in bank to credit of the Association of \$143.35. On motion, it was ordered received and placed on file.

Mr. Bromwell moved that the Secretary place a voucher for twenty-five (\$25) dollars for services the past year, in the hands of the Treasurer. So ordered.

No reports from the President and Secretary; and, on motion, they were given more time.

Applications for membership received from Dave Rorick and C. P. Ferry. Under suspension of the rules they were declared duly elected.

Mr. Barnes was appointed a committee of one, to wait upon Mr. Ferry, who had stepped out of the room, and advise him of his election.

Capt. E. E. Ryan, of Chicago, was, under a suspension of the rules, elected an honorary member of the Association, whereupon that gentleman acknowledged the compliment in a neat little speech, full of good wishes for the Association, the Pacific Coast, and resident underwriters generally.

Under suspension of the rules, the following officers were elected by acclamation for the ensuing year:

GEORGE D. DORNIN.....	President.
W. L. CHALMERS.....	Vice-President.
J. W. STAPLES.....	Secretary and Treasurer.

*Executive Committee:*

E. BROWN,	W. J. LANDERS,	A. D. SMITH.
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Mr. Gunnison invited the President elect to take the chair, which he did, and announced his desire to defer the appointment of the various standing committees until the next meeting.

Mr. Brown, Chairman of Fire Department and Water Supply of the Board of Underwriters, suggests that members of this Association communicate all points of interest that may come under their observation, to the Association at its regular meetings.

On motion, adjourned.

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The first annual meeting was held on the 20th of February, 1877. At this meeting the Committee on Local Agents, and the Secretary, were given more time to make a report, and at the regular monthly meeting, held March 20th, 1877, Mr. Gunnison, of the committee, submitted a report, which was read from the Secretary's desk, and is as follows:

## R E P O R T.

This Committee, of which the writer is a very humble minority, has done nothing officially during the past year; has not held a meeting or been called upon to take action upon any case under its jurisdiction. The writer was the only representative present at the annual meeting, and there made a too hasty promise to present a report at this meeting; a hasty promise, repented of at leisure.

I have seen Gen'l Magill, the Chairman, but once since, and but for a moment, told him of the promise and urged him to get up a report worthy of the name. I hope and trust you will receive a report from his able pen; in which case the Secretary will please consider this as naught and retire it to the waste basket. It is written while suffering severely with indisposition, and when about to start on a trip, that will prevent, I am sorry to say, my being present at what, I believe, will be a very interesting and useful meeting.

The appointing of local agents throughout the Pacific Coast has gone through a wonderful change during the last ten years. Only ten years ago there were so few fire insurance companies on this Coast that it was a matter of but little difficulty to find a fair or good man to act as agent for each company in any town of ordinary size. But the steady influx of Eastern and Foreign companies has so used up the insurance material, so to speak, that now, to be successful in appointing locals in even the larger towns, without combining several companies in one agency, requires more than ordinary tact, experience and acumen.

The success and standing of any company depends a great deal on the character and good judgment of its local agents. As "a man is known by the company he keeps," so a *company* is known by the *men* it keeps (as agents). There are but few men in any interior town that possess in a high degree the requisites for good, reliable agents, and in some towns it is difficult to find any. Therefore, it is not strange that when you have to "try them on, to know how they will fit," you will occasionally find locals that prove incapable, and sometimes dishonest. But it is far better to have a good man prove incapable of getting a large business, than to find a smart, active, successful solicitor of business turn out at last to be a defaulter. Perhaps there is no business in which men oftener mistake their calling or their abilities than in acting as local agents for fire insurance companies.

Men who fail in everything else do *not* make good insurance agents, though too often tempted to try it as a last resort; neither do men who are really successful in their own business, and who accept the agency by the "forcing process," adopted by too zealous "specials," who dislike to report to their home office their failure to appoint an agent.

Better do a small business, with a good, willing agent, or even no business at all, in some towns, than risk the agency in bad hands! Men are said to be honest for the want of any opportunity to steal. Too often the smart, smooth-tongued and confident young man runs away with the collections, between two days, and this brings up a question upon which experts differ. If "A" places his surplus business with "B," and "A's" agent decamps with the funds, is "A" holden to "B" for the latter's proportion of the premiums? A case in point has just been tried before Judge Wheeler. The testimony of experts largely preponderated in favor of the fact that "A" was, in law and custom held, but that "courtesy" between the companies oftentimes led "B" to pocket the loss with a grimace. The Judge decided in favor of law and custom, and left "courtesy" to take care of itself.

This point might be easily settled by the underwriters agreeing upon some

definite course to pursue in such cases, deciding whether or not "B" takes the risk of "A's" agent's honesty, along with the other risk.

I have the authority of our worthy Secretary, that "local agents" include city brokers and solicitors of insurance.

At the risk of lengthening this report to an unpardonable extent, a few words on this point may not come amiss. It should be the honest effort of every underwriter to secure good business at fair, paying rates, and consider a large business, secured at the expense of fair rates, as undesirable, and not good underwriting. The former can be secured under a healthy and business-like competition in the field of practical underwriting, and the honest, capable and experienced broker or solicitor is a useful and profitable adjunct thereto. But the custom now so prevalent, of paying brokerage to everyone who will bring *grist to mill*, without regard to the character or responsibility of the solicitor, is inducing many to enter into the business of soliciting fire insurance who are unfit for any business whatever—untrustworthy and really dishonest. It is not the fact alone that the process of beating down rates, a process that "cuts both ways at once," so well known to you all, but it is the fact that the respectability of the business of underwriting is greatly lowered in the business community thereby. Careful underwriters are thus forced to give up good business to those who think more of an array of big figures at the end of the year, than of safety to themselves and perfect indemnity to their customers.

Under this head, also, the question of dishonesty of agents comes up, if they are agents of the underwriters at all, is doubtful. We number among our insurance brokers and solicitors in this city many men of proved integrity and trustworthiness; but in a business requiring no capital to start, many can be found who eventually prove dishonest.

There should be a rule adopted among underwriters, by which one should be required to report to all the others the names of defaulting solicitors, and a rule requiring the others to cease all business intercourse with the defaulter.

This would soon weed out a large number, and we might safely leave the balance of the work to the Board of Insurance Brokers, if there is such a board. There is no reason why the brokers and solicitors of fire insurance should not be a healthful and useful body of business men. In this connection, it might be possible that some course adopted by the underwriters in their conduct toward the insured, whom the irresponsible solicitor has cheated out of his premiums, would work a salutary effect in preventing a too hasty and careless payment of premiums, without a receipt from the proper source. A case in point has just been decided on appeal in the New York courts, where the insurance company sued the assured for premium paid to the broker, and recovered judgment for premium and costs.

The N. Y. *Insurance Monitor* says of this matter: "Thus the question appears to be now fully settled—property-owners must see to it that the premium is actually paid to the company, under the penalty of being compelled to pay a second time, if the broker pockets the money paid him."

Respectfully submitted,

A. R. GUNNISON.

## REPORT OF THE SECRETARY.

*Mr. President and Gentlemen of the Fire Underwriters' Association of the Pacific*—At the last meeting the Secretary was called upon for a report; in accordance with that request, the Secretary begs leave to submit the following:

In reviewing the work of the year just passed, we find that the Association has steadily progressed in interest as well as in membership, this being, as it were, a school for the younger member, and a sort of literary club for the older ones, where they can give the benefit of their experience, and discuss those subjects which long and patient training has made familiar to them and valuable to their principals. It can, therefore, be no ordinary association to which we belong, but one that calls for the fellowship of the entire fraternity, and is too valuable to be allowed to lag for want of proper effort. Thus, I think, if each member would represent to the underwriting fraternity of the Pacific Coast the object of the Association and its general features, we should add largely to our number, and stimulate the present membership to renewed efforts in the way of progress.

The Association can show an increase in its membership during the past year of twenty-one; thus, with our original twenty-eight, our total membership is forty-nine, an increase of (75) seventy-five per cent.

The Secretary desires to call the attention of the members to the fact that at the meeting held March 21st, 1876, a committee, consisting of Messrs. Geo. W. Spencer, R. H. Magill, and B. C. Dick, was appointed to form a nucleus for a library for the Association. The committee have never made a report showing progress.

In regard to this committee, the revised by-laws provide for a "Standing Committee on Library," and it is to be hoped that so important a work will be faithfully attended to, and not allowed to become a nonentity; and allow me to suggest that steps be taken to provide a suitable book-case to hold the books that we now have, and that the committee suggest a list of text books which would be desirable to add to the library, and thus make a fair start. I think that the Association would even be willing to receive donations in that line.

There was also at the meeting held Nov. 21st, 1876, a resolution adopted, "that the chairman appoint at each meeting three members of the Association, one of whom shall present an adjustment for discussion at the meeting following the appointment." The Chair appointed as such committee, Messrs. H. H. Bigelow, R. H. Magill and W. J. Landers, and no report has been received from this committee, nor has any subsequent committee been appointed.

This is too valuable a work to be consigned to oblivion, and if the committee so elect, they can conduce very materially toward building up the Association and vesting it with new interest. This is, in fact, the *keystone to our arch*, when we consider the object of the Association—i. e., *mutual improvement*—for what can be more instructive and improving than for us younger members to listen to our elder brethren, as they discuss so familiar a topic as a "loss adjustment?"

Then, by all means, let us have a committee appointed, or the old one re-appointed, and then we can listen to many a reminiscence and story of the days of "*lang syne*," and the untangling of many knotty complications in non-concurrent policies.

While on this subject I would like to offer a suggestion for your consideration, to-wit: That the committee be reduced to one member—this will not use up our choice ones so rapidly—and that the member be instructed to hand to the Secretary a written theme before the next meeting, which, in the absence of the member, will be read from the Secretary's desk. However—should the member be present, the theme will be returned to him and he can make his report in person. The object is, that the subject for discussion will be presented to the Association even though the committee should be absent.

These things, gentlemen, are offered for your consideration, and if the suggestions are accepted and carried into effect I feel confident they will do much to bring the Association into prominence and repute, and will tend to produce fuller attendance and greater interest in our meetings.

Respectfully submitted.

J. W. STAPLES,  
Secretary.

PROCEEDINGS  
OF THE  
SECOND ANNUAL MEETING  
OF THE  
FIRE UNDERWRITERS' ASSOCIATION  
OF THE PACIFIC.

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The Second Annual Meeting of the FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC was held in their room, 418 California Street, on Tuesday, February 19, 1878.

Geo. D. Dornin, Esq., President, in the chair. After the preliminary features, such as roll call and reading of the minutes of the previous meeting, the following business was transacted:

The report of the Treasurer was read, which showed a balance in bank of \$62.40. On motion, the report was ordered received, and placed on file.

On the call for the report of the Committee on Local Agents, the Secretary stated that the Chairman of the Committee, Henry Smith, was lying sick unto death, and the other members could not get time to make report. No further action was taken.

Then the report of the Committee on Forms of Policies was called for. Mr. H. H. Bigelow, of Committee, asked for more time, saying he would have a report at the next meeting. On motion, the Committee were granted more time.

Mr. Geo. W. Spencer, Chairman of the Committee on Losses and Adjustments, read the following excellent paper:

GENTLEMEN—There have been many papers upon this most important subject, written by the ablest minds of the insurance profession. Men, so full of wisdom that we are proud to sit at their feet and receive their teachings in the great school of underwriting, have given us, in the most exhaustive essays, the benefit of their vast experience and years of thorough conscientious study. It is, therefore, with diffidence, born of our sense of inability to do justice to

the theme, or add aught of special interest to the proceedings of this, our second annual meeting, that we occupy your time in making these few remarks, as your Committee on Losses and Adjustments.

From the destruction of property by fire and sea; the sweeping away in an hour's time the slow accumulation of years; in short, from losses, has sprung the entire fabric and superstructure of insurance. This most perfect system of indemnity, so widespread and universal, that it confers its blessings upon the entire commercial and business world, with its immense investment of capital and aggregation of assets, its net-work of agencies drawing resources from every land, and its army of veteran officers and "war-worn specials," originated from, has been reared, as it were, stone by stone, upon the most costly of all foundations—losses.

Insurance hinges upon losses; our business is a study of them, and what a life-long study it is. Take losses by fire alone and their origin; how to guard against and prevent them; what lines to carry—our judgment of to-day proving at fault through the experience of to-morrow; how shall we construct our buildings to render them "fire-proof;" what legislation can we effect that will reach that fiend incarnate, the incendiary—are a few of the many questions that are presented in rapid succession for our consideration. Again, how interesting to study the effect that losses have upon our different members. Contrast the calmness with which one opens the ominous telegram with the nervousness of another, or the magnificent generalship displayed by some, and we have a notable example in the President of this Association, in winning a victory, when harassed on every side and with overwhelming defeat staring them in the face, with the incompetency, mismanagement, and cowardice of others in wrecking their companies upon the first occasion that disaster overtakes them.

We are too much given to view losses with alarm; they are not altogether an evil, for they certainly tend to make us most unselfish. We are ever ready to share them with others, and an underwriter's affliction is usually mitigated on learning that his neighbor has not been neglected. But, in all seriousness, it is better that we should have our fair proportion of losses. Without them we are apt to grow careless and throw down those safeguards and barriers that judgment and experience teach us should be maintained. Rates are reduced, lines increased, special hazards accepted and irregularities permitted without question. We drift smoothly along into the breakers and awaken too late from our dream of prosperity to meet the train of losses so sure to follow.

In accepting premiums, we must be prepared to return their fair equivalent in the payment of losses. No business can long be conducted on the principle of total receipts and no expenditures, and insurance is no exception to the rule.

But space is not permitted us to dwell at further length upon this subject, unless we encroach upon the time of others, whose remarks will afford you greater interest, and we, therefore, hasten to a conclusion in considering the most important question connected with losses—their adjustment.

This organization is one of the results of the Virginia fire. It was formed

by the adjusters, who met on that occasion and found that, at such a time, concerted action was necessary. It now embraces in its membership most of the specials and adjusters and many of the agents and officers of companies represented in this city.

That it has been of advantage to us I think no one will question; it has brought us together and we have exchanged opinions and experiences; it has tended to do away with "sharp adjustments," where salvage is made at the expense of justice; it has established a higher standard in our dealings with each other, and unfair advantages taken of a brother adjuster, are no longer the boast of, but bring disgrace upon the one who attempts them.

If for these reasons only, and had no other results been accomplished, we should feel that the Association has not been a failure. Let us devote more time to this work, put new life and energy into it, and make it the success it should be, and it will do each member of us some good.

In the adjustment of losses our experiences are numerous, and at times most interesting. The life of an adjuster is a varied one. He meets "many men of many minds," is called upon to act with promptness and decision in cases without precedent to guide him, and to decide impartially on the merits of a claim between the claimant and his company. And what a variety of claimants there are! We have read descriptions of some most familiar examples lately, so truthful in details that we at once recognize them as old friends.

The suspicious man who watches every movement of the adjuster, and is fearful of committing himself; the excitable claimant who is insulted at the simplest inquiry into the value of his property destroyed; the distressed applicant, with tears in his eyes, presenting his little bill in supplicating tone of voice; the honest man, who "pledges you his word and honor" so freely, have each and all been so clearly depicted that there remains little, if anything, that we can add to render their likenesses perfect.

We trust that this Association may increase in strength and grow in importance, and that its members may be characterized for fair dealings and honest adjustments wherever they may be called upon to act.

On motion, the report was ordered received and placed on file.

Mr. W. J. Landers, Chairman of Committee on "Forms of Policies," came in during the reading of the foregoing report, and on its completion read his report, as follows:

GENTLEMEN—As a Committee, we are led to assume that the Association expects a report embracing comments and suggestions in connection with the "Forms of Policies" in use on this coast, rather than the proceedings of the Committee for the year, the latter already forming a part of the minutes of the various monthly meetings of the Association.

The ordinary policy of insurance, though justly regarded as a contract, presents features not often found in connection with other contracts. Most contracts are in writing, or if partly printed, the printed portion is small, and

applies strictly where the form is used. Not so with the insurance policy; it is nearly all in print, and embraces many conditions, all of which cannot be said to apply to every insurance. For instance, reference to manufacturing establishments running short or overtime, has no apparent connection with an insurance on a dwelling or its contents. Again, reference to goods on commission and held on storage, has no direct relation to an insurance on a building. We could cite many other instances where conditions apply to one subject and not to another. But those mentioned are sufficient to draw the attention of all to the well-known fact that, with few exceptions, but one form of policy is in use. In this may be found one reason why most persons do not read their policies. A mortgage or other contract will be read word for word, but the insurance policy will only receive such attention when circumstances render it absolutely necessary, and even then the assistance of a lawyer is often sought for the purpose of segregating and applying the conditions.

One of the Associate Justices of the Supreme Court of the United States said a few years since that *he could* not be fully protected under the usual printed form of policy. A prominent citizen, whom we could easily name, insures the contents of his house by a schedule, amended every year and made a part of the policy.

Another gentleman, who for several years was connected with the agency of a prominent Eastern company, confessed that he *never* read the whole of any insurance policy in his life, in order that he *could avoid* explaining the printed conditions to his friends.

In addition to this, as underwriters, we are sometimes asked whether a policy on a retail variety or fancy store covers such articles as engravings, printed books, music, etc., when the same is required to be particularly specified under the printed condition and supposed to be covered under the word merchandise, in the written portion. Many underwriters presume that the printed clause mentioning the above applies only to dwelling-house contents, but the policy does not warrant this, and goes even further, when it states distinctly that "the use of general terms, or anything less than a distinct, specific agreement, clearly expressed and indorsed on this policy, shall not be construed as a waiver of any printed or written condition or restriction therein."

Two conclusions can here be drawn—

1st. It would be desirable to use more than one form of policy, each to embrace only the conditions pertinent to the class of property insured; and—

2d. That the written portion should include, word for word, any articles desired to be covered, and which are excepted in any printed condition of the policy.

On motion, ordered received and placed on file.

No report was received from Committee on "Legislation and Taxation."

Mr. E. Brown, Chairman of Committee on "Fire Department and Water Supply," then read the following interesting report:

GENTLEMEN—Your Committee approaches the subject upon which it is its duty to discourse with exceeding diffidence. The able, learned, and thoroughly exhaustive manner in which it was treated by last year's Committee, leaves but little to be said.

It is stated that about the most unpleasant situation conceivable is to become the immediate successor of one of the world's great men, in a position which he has but lately vacated. Fancy the "true inwardness" of the feelings of the man who, elected to fill the vacancy in our National Congress, created by the death of a Webster, a Clay or a Stevens, when he makes his first appearance in the seat of the illustrious departed, his consciousness of the unfavorable comparisons which must be drawn between him and his great predecessor, his after reluctance to speak on any subject, because he well knows that *he* can never hope to rival the brilliant efforts which have enthralled the senses and minds of all listeners.

Some such feelings have we at this moment, and so little can we hope to say anything which will add to the information which we received last year, or the pleasure with which we listened to the admirable description of by-gone experiences of Mokelumne Hill, and the Big 6 of the Ledger Hotel, and the Bucket Brigade, that we shall merely confine ourselves to a few thoughts upon the Fire Department and Water Supply, in which we are most interested—namely, that of San Francisco.

It has probably happened to most of you, as to the writer, who have visited various towns upon supervisory duties, to have found that the "best Fire Department, *for its size*, in the United States," is confined to no particular locality. It meets one at every turn and crops out in every city, town and hamlet, from the Androscoggin to the Golden Gate. Chicago, foremost in *boasting* as in many other things, long claimed to have the best Fire Department, *par excellence*, of the world. How rudely this fallacious dream was dispelled in '71 we all know!

Modest Boston, scrupulous in all its utterances and pretensions, at one time, prior to 1872, it may be interjected, imagined that its apparatus and service were as near perfection as anything in this mundane sphere ever attains to. We have no doubt, though here we speak without authority, that Portland, Oshkosh, and even Petroleum City had fully as high an opinion of their respective establishments.

With such illustrious examples, is it to be wondered at that most San Franciscans, including, we have a suspicion, not a few of our local underwriters, cherish the fond hope that in their gallant firemen and finely-equipped Department may be found a perpetual bulwark against the worst efforts of the "Fire Fiend."

Without wishing to utter one word of detraction against our fire laddies, as brave and hard-working a set as ever lived, or against the experienced skill with which they are directed by our worthy Chief Engineer and his assistants; still we cannot avoid a serious foreboding that when the time of severe trial comes—may it long be averted!—our Fire Department, notwithstanding all its skill, energy and gallantry, will be found incompetent to control the situation.

Gentlemen, we are as completely isolated here as is the burning vessel 1,000 miles from land, with no friendly craft within viewing distance of its flames. New York, Philadelphia, and other large cities can summon 100 well-equipped and manned engine companies to their assistance, and these, within one or two hours, will be fighting side by side with their own firemen. We can have no such friendly support, but must rely entirely upon our own department.

Let us reflect for a moment upon the inadequate means at its disposal. Eleven engine companies, with only four permanent men to each company; three reserve engines—only fourteen in all—to be manned by volunteers or extras. New York, with an area but a trifle larger than that of San Francisco, and built almost entirely of brick, has nearly *fifty* engines, most of them first-class (we have but *one*), besides numerous chemical and steam-floating engines. Their men are all permanently employed, and splendidly disciplined. Philadelphia has even more engines than New York, and there are but few Eastern cities of from 50,000 to 100,000 inhabitants, which have not departments equal in material and numbers to that of San Francisco.

But there is still a more ominous feature to be considered. Our water-pipes, except in one or two favored localities, are utterly inadequate to supply even the few engines we possess. In many portions of the business districts the five or six-inch pipes will furnish water for three or four steamers only, even at full pressure. One can easily picture the effect upon this limited supply by the burning of one or two blocks when the one thousand and one service-pipes introduced into every floor and office room will be running their contents uselessly to waste and thereby reducing the pressure in an enormous degree. The fire of August, 1876, on Brannan street, is a sufficient example of our helplessness in this particular.

The Spring Valley Water Company, either reckless of possibilities or deterred by the recent agitation on the water question, have made no effort of late to introduce larger mains or branches.

About one year ago, when one of your Committee was a member of a similar committee of the Board of Underwriters, the Engineer of the Water Company promised him that at an early date he would lay a 16-inch pipe from the Market-street main along Seventh street to Brannan street; thence along Brannan and other streets to First or Second street, and up one of said streets back to Market street, to be so connected with existing pipes on intersecting streets as to be available in any part of the southern portion of the city. No steps have as yet been taken to carry out this admirable plan, and the south side is to-day practically defenseless.

In other respects we are behind sister cities. Our hydrants, old-fashioned and comparatively of little service with their 4-inch rectangular connections and  $2\frac{1}{4}$ -inch openings, should be replaced with new ones, having curved 6-inch connections and openings at least  $3\frac{1}{2}$  inches in diameter. More permanent men, including the foremen, should be employed on each engine company, and none of these allowed to hold any other position. At least four large chemical engines, such as are in use in New York and Boston, should be purchased and located in different sections of the city. These would be

invaluable for immediate service and for use in the hilly and other portions of the town, which are either inaccessible to our steam engines, or so precipitous, so illy paved, or so remote, as to be practically beyond their protection.

Your Committee feel that the underwriters are lax in their duty in not using every means to bring before the Water Company, the city authorities, the State Legislature and the people themselves, the perilous necessity for their immediate protection by having larger water-pipes and an adequate force at the disposal of the Chief Engineer.

Not only should they make public notice of this, but also they should not cease in their efforts until these and other desired reforms be instituted—this they owe to their employers, the companies whose capital and assets are endangered, and to their fellow-citizens who look to them for protection, by both of whom they will certainly be blamed when the catastrophe has come upon them, for their laxity and negligence.

We are happy in believing that the large majority of our interior towns are far better provided in comparison to their necessities, with apparatus, water supply, main and distributing pipes; indeed, we think that the towns of the Pacific States will compare very favorably in these respects with the far older towns of equal size in the Atlantic, Southern or Western States, and we trust the day is very near at hand when we shall be able to speak as hopefully of this rapidly growing metropolis of the Pacific Coast.

By vigorous and united efforts, we, the underwriters, vitally interested, can do much to hasten that date.

On completion, it was received with applause, and, on motion, was ordered received and placed on file, and also a copy ordered sent to the editor of the *Bulletin* for publication.

Committee on "Statistics" made no report.

Mr. J. W. Hart, Chairman of Committee on "Library," read the following witty report:

GENTLEMEN—The work of your Committee of Library, during the past year, does not call for a lengthy report, and therefore, like the quality of mercy, "is twice blessed." It presents, however, an essential feature, without which a report on Library, even from a flowing pen, would be as great a solecism as the play of Hamlet without Hamlet. We have got the Library.

The Treasurer's report reminds you that, from the funds in his hands, a grant of \$200 was made to your Committee by vote of the Association under specific instructions. Those instructions we have tried to carry out to the best of our ability; anyhow, we have spent the greater part of the money, and we have now the pleasure and the satisfaction of presenting to you the first fruits of our work in a collection of text-books and professional miscellany, which, though of modest size, and by no means so complete as we hope yet to see it, is nevertheless entitled to be called a library! It is a vested interest, has a black walnut bureau of native make, value \$50, a lock, a key and a catalogue, and take it all in all, as it now stands before you, it is a pledge and

practical proof that our Association means business and does not intend to die of inaction. No one who enjoys the privilege of intimate intercourse with the members of the underwriting fraternity of the Pacific Coast, can say that, as a body, they lack the elements of good fellowship in a fair share of vivacity and "chic." Indeed, they dearly love a joke, even at the expense of a neighbor, and their relentless fights for "biz" are carried on with a degree of ready humor and of wit both bright and keen, if somewhat cutting, that do not belong to dull boys; while for genial flow of soul and hearty merriment there are few symposia so racy and exhilarating as a spontaneous gathering of representatives, after a hard day's tough adjustment at the scene of some remote big fire. The evenings at Virginia City during October of 1875, at one of which the happy thought of a permanent association had birth, will gild the memories of the participants as veritable *noctes ambrosianæ*. Let no one fancy, however, that the profession is all *beer and skittles*, or that the object of our meetings here is to dissipate idle hours, in high or low jinks! A glance at the contents of our Library will effectually dispel such idea. No light literature burdens our shelves, and it would require a hopelessly abandoned mind to torture amusement out of such specimens as "May on Insurance," "Sansum's Digest," "Municipal Reports," or even "Griswold's Fire Underwriters' Text-Book." It is not from such distillations, or from such *taps* that the light-minded usually seek intoxication, although the indispensable and ably conducted *Coast Review* doubtless contains not a few curiosities of literature which might tempt the profane to trifle, and "Bennett's Cases" may possibly suggest to perversely ingenious imaginations grim subjects of humorous comment. Try them!

It is unnecessary for us to detain such a meeting as this by dilating upon the value of a library of reference. The veterans and Nestors of the profession will be the last to underrate it, while to those who are beginning their experience and have their spurs to win, the advantage of access to well-selected standard text-books and special legal authorities is too self-evident to require pressing. There is one little luxury, however, connected with such advantage, which has to be tasted to be thoroughly appreciated. When one of those able and ingenious fellows—pragmatic, or twist-'em-round—evolves finely-spun sophistries from his inner consciousness, it is delightful to be able to point to a text or standard authority, and say, "All very well, my friend, but *thus it is written*, or *thus saith the law*!"

We do not wish to cackle too pretentiously over our little nest-egg, but in presenting to you our modest Library, we would simply express the hope that its unquestioned advantage will be used, and that, with the appreciation that comes of use you will soon "ask for more."

We have only further to add that a complete catalogue is at the service of the members, and we would respectfully draw special attention to the order of the 15th of May, 1877, engrossed thereon. It is possible that, by timely reference to the books on our shelves, the only condition allowed for removal of those books, "use in Court," may be avoided in nine cases out of ten, and much needless expense saved to companies as well as time-consuming worry to agents.

The volumes of the *Coast Review* and other journals have now been bound, and subscriptions continued, for which, in due time, the necessary votes will be asked. Donations of suitable works or pamphlets will be thankfully received, and the Committee will be grateful for any suggestions from members for additions to the regular collection, under approval of the Association.

The report was received with great applause, which so upset our modest friend that he asked to be excused to keep an engagement.

On motion, the report was ordered received and placed on file.

Mr. A. P. Flint moved that the Executive Committee be authorized to put into proper shape the proceedings of the Association for this and last year, for distribution among the members. Carried.

Mr. Geo. D. Dornin then read a very able address, as follows:

GENTLEMEN—The duty which, by our rules, devolves upon me, as the retiring President, to review the proceedings of the past year, imposes no onerous duty.

It has been a year marked by no great disaster to our special interest on this coast, and in consequence no extraordinary demand has been made upon the fraternity of adjusters to settle vexed problems in adjustments. By this I do not mean it to be understood that, as a fraternity, the adjusters have been idling in their offices, for the statistics show that the fire losses in the single State of California amount to \$1,224,754 against \$3,500,000 received in premiums, or 34 per cent. of the premium receipts. The predictions made last spring that the "dry winter" of 1876-77 would largely increase the moral hazard during the following summer, does not appear to have been justified by the above showing, comparing it with the record of the past seven (7) years, which give an average of 33.75 per cent. of loss. Whether we, as an Association of practical underwriters, have come up to the full measure of our duties, is open to serious doubt. We have a zealous Secretary, a good library, comfortable rooms at our command; but, except among a faithful few, there seems to be a lack of interest in the work. The opportunities for usefulness in such an Association as this are undisputed; by the terms of our constitution, we are made up of the executive officers, managers, special agents and adjusters of insurance companies, embracing in the *personnel* of the Association the entire range of field and office work. We come here, not to discuss rates or adopt arbitrary rules for the government of our respective companies. The object of our Association is to discuss measures of general interest—to compare notes, as it were, upon the many issues which custom, local usage or the courts are constantly forcing upon the fraternity—and to correct, as far as may be practicable, the irregularities which will creep into the practice of the business. *We are all learners*, and I may venture here to

remark that I believe the experience of those whom I address, who have been longest in the business, is like that of mine, in this, that as the field of our work broadens out, confidence in our infallibility lessens. And further, that the most aggressive agent or officer, for the first year or two, is he of the least experience; and just here may be suggested the most exasperating features in the daily practice of our business, the concessions in writing and in adjustments constantly being made by inexperienced managers and agents. From no greater beginnings than ours grew the Association of the Northwest, embracing some of the ablest minds in the profession, which has left its impress upon the policy of the companies with which its members are connected, and from which is emanating practical reforms in fire underwriting. To prepare the annual papers which are read before that body is a privilege which any man may be proud of; and I would here commend to you the careful study of the several addresses and the discussions of the last meeting, as printed in their proceedings, which may be found in our library.

The very acceptable reports which the Chairmen of the several Standing Committees have just read in your hearing, indicate that, so far as they are concerned, no lack of interest exists, and I venture the assertion, that the suggestions made in some of them will bear early fruit. May we not be at fault in our system of frequent meetings, especially during the summer, when special agents and adjusters are most in demand for field work! May not this account for the lack of *continuous* interest in the proceedings! Into our discussions, it will have been observed, new men have entered at the monthly meetings, who were not posted upon the stage of the previous meeting's discussion, while those who were disposed to take an earnest part in the debate, and at whose request, perhaps, the discussion was laid over, being absent, the question would be by vote disposed of.

Without consulting with others on the subject, I am disposed to believe that quarterly meetings would give more opportunity for continuous interest in the work—the President and Executive Committee being clothed with power to call special meetings when necessary.

The magnitude of the interest which we represent may be gathered from recently published reports. I do not know how far I may be allowed to trespass upon your patience in dealing with dry statistics, but a few figures may be tolerated.

The field covered by a large majority of the companies represented in San Francisco, embraces all the Pacific States and Territories, but as we have no access to the statistics of other than California business, we must deal with that alone.

From the published reports I find that the 79 companies wrote in California, during 1877, two hundred and fifty-six millions, four hundred and seventy thousand, six hundred and forty dollars (\$256,470,640), receiving therefor \$3,928,744 in gross premiums. Of these the seven local companies wrote \$80,278,341 and received \$1,184,508. The 47 Eastern companies wrote \$51,374,702, receiving \$911,300, and the 25 foreign companies covered \$124,817,597, for \$1,832,936. It is proper here to say that the blank prepared by the Insurance Commissioner, from which these figures are taken, is defective, in

that it calls for the gross premiums received by the companies without deductions for re-insurance or cancellations. It therefore follows that the same business may appear twice, the original and re-insuring company reporting it. Of the total amount of premiums received, San Francisco contributed \$1,867,834, divided as follows: to the locals, \$481,683.52; Eastern, \$446,759.65, and Foreign, \$939,548.74, leaving from the State at large \$2,060,910. The losses during 1877 aggregated \$1,224,754, divided as follows: local, \$375,993; Eastern, \$260,626, and foreign, \$588,135.

The comparative exemption from severe fires in this city and the large premium revenue derived from the business herein—amounting, as I have mentioned, to \$1,867,834—has brought a very heavy pressure to bear in the direction of reduced rates, and this, as is well known, has been conceded by the only body having a fixed tariff, the Board of Fire Underwriters, which free competition outside seems to be pressing still further downward. We have reason to congratulate ourselves that the depth of undercutting, which has been reached by our brethren in the East, has not yet been touched by California underwriters, and it is for us to so hold up the hands of those who have the executive management of our companies that a war of rates and consequent slaughter of insurance capital may not be inaugurated here.

It will not be considered out of place in an official report to remind you that we miss from his accustomed place among us our good friend HENRY SMITH, who, prostrate with a disease pronounced incurable, calmly and philosophically awaits his final exit, welcoming death as a relief from pain and as the inevitable end of all things. With the mind of an expert he has arranged his proofs, and, looking back over the record of his life, pronounces his satisfaction, confidently leaving their revision to the Great Adjuster. The constant inquiries concerning his condition, indicate the esteem in which Henry Smith is held by his brother underwriters.

I cannot better close these remarks than by recognizing the obligations which, as a body, we are under to our very efficient Secretary, Mr. J. W. Staples, for his constant attention to the duties of his position. It is but justice to him to say, that, without his zeal and persistence, the interest in the monthly meetings would greatly languish.

I sincerely hope that 1878 has much that is good in store for us as underwriters; the abundant rains, though subjecting us to present personal inconvenience, give promise of great prosperity to all interests, and if we are true to ourselves and to each other, the results to our profession will not be sacrificed to injudicious competition.

On motion, ordered received and placed on file.

Mr. L. L. Bromwell moved to amend Article IX of Constitution, by striking out the word "monthly" and substituting "quarterly" therefor; also, substituting May, August and November, instead of "each month;" and notice was given by the President that the motion would be acted on at the next meeting.

Resignation of Mr. E. T. Barnes was received and, on motion, accepted. The Secretary was ordered to notify him.

Mr. Spencer moved that the Secretary be directed to file a voucher for \$25 for services the past year. Seconded by Mr. Bromwell. Mr. Bigelow moved to amend by making the amount \$50. Amendment accepted by Mr. Spencer, and adopted.

The Secretary was too much moved to do other than mutter a few words of thanks.

Mr. Bigelow read a copy of an ordinance passed by the Board of Aldermen of Virginia City, Feb. 12, 1878, for the prevention of *over-insurance*. Insurers are prohibited from writing more than ninety per cent. of "the fair reasonable value" of property. Unoccupied insured buildings must be watched between 6 p. m. and 7 a. m. Insured personal property shall not be kept in such buildings unless they are so watched, except licensed warehouses. Board of Aldermen may appoint watchmen at expense of delinquent owners. The penalties range from \$200 to \$500, and from 100 days to 6 months imprisonment. They extend also to revocation of insurance license.

Election of officers now being in order, it was moved that the Secretary cast the vote of the Association for Mr. A. P. Flint for President, which was done, and Mr. Flint was declared duly elected.

On motion, the Secretary was directed to cast the vote for Mr. E. Brown for Vice-President, and he was declared duly elected.

On motion, the President was requested to cast the vote for J. W. Staples for the offices of Secretary and Treasurer. This done, he was declared duly elected.

The Secretary then was directed to cast the vote for Messrs. A. D. Smith, O. H. Cole and G. W. Spencer for members of the Executive Committee, which was done, and they were declared duly elected.

On motion, adjourned.

# This Mourning Page

*By order of the FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC,  
is given to the memory of our esteemed associate and friend,*

## Henry Smith,

*Who was born in Gardiner, Maine, 1820,*

*And who died in San Francisco, California, March 8th, 1878,*

### Aged 58 Years.

---

*He came to California in 1849, and since 1856 has been identified with  
the Insurance profession, and connected with the*

### Liverpool and London and Globe Insurance Co.

*He was a Member of the*

### Fire Underwriters' Association of the Pacific

*at the time of his death.*

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"With the mind of an Expert, he has arranged his Proofs, and looking back over the record of his life. pronounces his satisfaction, confidently leaving their revision to the Great Adjuster."

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### His loss is deplored by all, especially by his Insurance Associates.



## LIST OF OFFICERS FOR 1876.

B. F. LOWE.....	President.
H. H. BIGELOW.....	Vice-President.
J. W. STAPLES.....	Secretary and Treasurer.

*Executive Committee.*

L. L. BROMWELL,	J. R. GARNISS,	GEO. F. GRANT.
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## LIST OF OFFICERS FOR 1877.

GEO. D. DORNIN.....	President.
W. L. CHALMERS.....	Vice-President.
J. W. STAPLES.....	Secretary and Treasurer.

*Executive Committee.*

E. BROWN,	W. J. LANDERS,	A. D. SMITH.
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*Standing Committees for 1877.*

## LOCAL AGENTS.

Henry Smith,	J. R. Hamilton,	C. H. Cushing.
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## FORMS OF POLICIES.

W. J. Landers,	H. H. Bigelow,	W. J. Callingham.
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## LOSSES AND ADJUSTMENTS.

Geo. W. Spencer,	Jas. R. Garniss,	Wm. Sexton.
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## LEGISLATION AND TAXATION.

J. F. Houghton,	Julius Jacobs,	Geo. F. Grant.
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## FIRE DEPARTMENT AND WATER SUPPLY.

E. Brown,	A. R. Gunnison,	Z. P. Clark.
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## STATISTICS.

Wm. Macdonald,	J. D. Bailey,	W. J. Stoddart.
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## LIBRARY.

J. W. Hart,	Hugh Craig,	S. D. Mayer.
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## LIST OF OFFICERS FOR 1878.

A. P. FLINT.....	President.
E. BROWN.....	Vice-President.
J. W. STAPLES.....	Secretary and Treasurer.

*Executive Committee.*

A. D. SMITH,	O. H. COLE,	G. W. SPENCER.
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*Standing Committees for 1878.*

## LOCAL AGENTS.

L. L. Bromwell,	Z. P. Clark,	Geo. F. Grant.
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## FORMS OF POLICIES.

A. R. Gunnison,	E. E. Potter,	Robert Dickson.
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## LOSSES AND ADJUSTMENTS.

Geo. D. Dornin,	Wm. Macdonald,	W. L. Chalmers.
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## LEGISLATION AND TAXATION.

J. F. Houghton,	D. J. Staples,	C. T. Hopkins.
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## FIRE DEPARTMENT AND WATER SUPPLY.

C. M. Nichols,	O. Hawes,	S. O. Hunt.
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## STATISTICS.

A. D. Smith,	W. J. Callingham,	C. J. Van Tassel.
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## LIBRARY.

J. W. Kingsley,	Geo. W. Spencer,	L. Beck.
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## LIST OF MEMBERS.

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- B. F. Lowe, Adjuster.
- L. L. Bromwell, Special Agent and Adjuster, Phoenix and Home Insurance Companies.
- Geo. F. Grant, Special Agent and Adjuster, North British & Mercantile Insurance Company.
- J. W. Hart, Agent, Scottish Commercial Insurance Company.
- Z. P. Clark, Agent, German-American Insurance Company.
- H. H. Bigelow, General Agent, Home Mutual Insurance Company.
- \*R. H. Magill, General Agent, Home Mutual Insurance Company.
- \*E. T. Barnes, General Agent, California Insurance Company.
- Wm. Sexton, Special Agent and Adjuster, Fireman's Fund Insurance Company.
- A. D. Smith, General Agent, Northwestern, Amazon and Fairfield Insurance Companies.
- Wm. Doolan, Special Agent and Adjuster, State Investment and Insurance Company.
- †B. C. Dick, Agent, Kansas Insurance Company.
- Geo. W. Spencer, Special Agent and Adjuster, Ætna Insurance Company.
- J. W. Staples, Adjuster.
- E. Brown, General Agent, Faneuil Hall and Lycoming Insurance Companies.
- A. J. Bryant, President, State Investment and Insurance Company.
- J. R. Garniss, Adjuster.
- J. D. Bailey, General Agent, Union Insurance Company.
- A. R. Gunnison, Special Agent and Adjuster, Commercial Insurance Company.
- Robert Dickson, Manager, Imperial, Northern and Queen Insurance Companies.
- Geo. D. Dornin, Secretary, Fireman's Fund Insurance Company.
- †Henry Smith, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.
- H. W. Snow, Special Agent and Adjuster, Commercial Union Assurance Company, etc.
- W. J. Landers, Manager S. F. Agency Guardian Assurance Company.
- E. E. Potter, General Agent, Potter, Jacobs & Easton Agency.
- J. F. Houghton, President, Home Mutual Insurance Company.
- W. J. Callingham, General Agent, Royal Canadian Insurance Company.
- R. G. Brush, City Agent, State Investment and Insurance Company.
- §D. L. Kirby, Associate Manager, Royal Canadian Insurance Company.
- §W. W. Dudley, Illinois State Agent, German-American Insurance Company.
- Wm. Macdonald, Special Agent and Adjuster, Imperial, Northern and Queen Insurance Companies.
- C. T. Hopkins, President, California Insurance Company.

- C. R. Story, Secretary, Home Mutual Insurance Company.  
 W. L. Chalmers, Special Agent and Adjuster, Hutchinson & Mann's Agency.  
 J. R. Hamilton, General Agent, Commercial Union Assurance Company.  
 T. C. Grant, General Agent, North British & Mercantile Insurance Company.  
 Chas. H. Cushing, Secretary, State Investment and Insurance Company.  
 W. J. Stoddart, Agent, New York Underwriters' Agency, etc.  
 A. P. Flint, Manager, Hartford Fire Insurance Company.  
 Hugh Craig, General Manager, New Zealand Insurance Company.  
 H. R. Mann, Agent, Hutchinson & Mann's Agency.  
 Julius Jacobs, Agent, Potter, Jacobs & Easton Agency.  
 Geo. Easton, Agent, Potter, Jacobs & Easton Agency.  
 §Jas. Kip, formerly of the London Assurance Company.  
 Samuel D. Mayer, City Agent, Commercial Union Assurance Company.  
 H. L. Roff, Special Agent and Adjuster, New Zealand Insurance Company.  
 Dave Rorick, Agent, American Central and St. Joseph Insurance Companies.  
 C. P. Ferry, Inspector of Agencies and Adjuster, New Zealand Insurance Company.  
 §E. E. Ryan, Agency at Chicago, Ill.  
 Oliver Hawes, General Agent, Connecticut Fire Insurance Company.  
 S. O. Hunt, Agent, Jonathan Hunt & Son's Agency.  
 D. J. Staples, President, Fireman's Fund Insurance Company.  
 Joseph W. Kinsley, General Agent, Security and Manufacturers' Insurance Companies.  
 Wm. Frank, General Agent, Hamburg-Magdeburg Fire Insurance Company.  
 Henry Balzer, Agent, Svea, North German and Helvetia Insurance Companies.  
 L. Beck, City Agent, Svea, North German and Helvetia Insurance Companies.  
 J. A. Jones, Manager, Royal and Norwich Union Insurance Companies.  
 C. M. Nichols, Surveyor of the Board.  
 C. J. VanTassel, City Agent, Continental Insurance Company.  
 O. H. Cole, Special Agent and Adjuster, Royal and Norwich Union Insurance Companies.  
 T. A. Mitchell, Special Agent and Adjuster, Jonathan Hunt & Son's Agency.  
 F. F. Stone, Agent, Lamar Insurance Company.  
 C. Mason Kinne, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.  
 P. Outcalt, Special Agent and Adjuster, Royal Canadian Insurance Company.  
 J. C. Jennings, General Agent, Manufacturers' Insurance Company.  
 Geo. E. Butler, Manager S. F. Agency London Assurance Company.  
 Chas. D. Haven, Secretary Union Insurance Company.

PROCEEDINGS  
OF THE  
FIRE UNDERWITERS'  
ASSOCIATION OF THE PACIFIC,  
FOR THE  
*Years 1879 and 1880,*  
AT  
SAN FRANCISCO,  
CALIFORNIA.

GEO. SPAULDING & CO., STEAM BOOK AND JOB PRINTERS,  
414 Clay Street, San Francisco.

1880.



PROCEEDINGS  
OF THE  
THIRD ANNUAL MEETING  
OF THE  
FIRE UNDERWRITERS' ASSOCIATION  
OF THE PACIFIC.

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The Third Annual Meeting of the FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC was held in the room of the Underwriters' Fire Patrol, at two o'clock P. M., Tuesday, February 18th, 1879.

A. P. Flint, President, occupied the Chair.

Present—Messrs. A. P. Flint, L. L. Bromwell, H. H. Bigelow, A. D. Smith, Wm. Doolan, Geo. W. Spencer, E. Brown, J. D. Bailey, A. R. Gunnison, Geo. D. Dornin, W. J. Landers, E. E. Potter, Gen. J. F. Houghton, W. J. Callingham, C. T. Hopkins, W. L. Chalmers, O. Hawes, D. J. Staples, W. Frank, C. M. Nichol, O. H. Cole, Col. C. Mason Kinne, J. C. Jennings, Geo. E. Butler, E. W. Carpenter, W. P. Thomas, J. G. Edwards and J. W. Staples.

Minutes of previous meeting (regular monthly) were read, and, on motion, approved.

Mr. Bromwell then arose and said:

Mr. President and Gentlemen: I take pleasure in introducing to you Mr. W. R. Porter, of San Diego and San Bernardino.

The Chair welcomed Mr. Porter in the name of the Association.

The minutes of the special meeting of the Association, held February 4th, were read by the Secretary.

President—Gentlemen, you have heard the minutes of the last special meeting of the Association. What is your pleasure with reference to them?

Mr. Kinne—Mr. President, I think the word “perhaps” should be left out of that report, as Mr. Craig admitted his unprofessional and discourteous conduct.

Mr. Spencer—I agree with Mr. Kinne that it is an acknowledged fact, and no “perhaps” about it.

President—A motion to correct the minutes is in order.

Mr. Kinne—I move that the Secretary erase the word perhaps, and report be approved.

Seconded.

President—If there are no further objections, the Secretary’s report will stand approved as corrected. So ordered.

President—We will now hear the report of the Treasurer.

Read by the Secretary.

## REPORT OF TREASURER.

### RECEIPTS.

Balance on hand at last annual report.....	\$62 30
Admission fees, new members.....	37 50
Annual dues.....	170 00
Dividend from bank.....	1 98
	<hr/>
	\$271 78

## DISBURSEMENTS.

Paid Secretary.....	\$50 00	
Paid N. Gray, account funeral expenses .....	13 00	
Paid Spaulding & Barto, printing reports.....	55 00	
Paid W. U. Telegraph Co.....	4 50	
Paid Electric Pen Co., two bills.....	3 50	
Paid H. S. Crocker & Co., four bills.....	12 50	
Paid Insurance Journals.....	17 95	
Paid D. Hicks & Co., binding books.....	7 50	
Paid postage and envelopes .....	50	
		<hr/>
		164 45
		<hr/>
		\$107 33
Cash on hand ..	\$20 30	
Cash in bank.....	87 03	
		<hr/>
		107 33
		<hr/>

J. W. STAPLES,

Treasurer.

E. &amp; O. E.

San Francisco, February, 1879.

Approved:

A. D. SMITH,

OLIVER H. COLE,

GEO. W. SPENCER,

Executive Committee.

President—What is your pleasure, gentlemen, in regard to the Treasurer's report?

Mr. Kinne—I move it be received and placed on file.

Mr. Cole—Second that motion.

Carried.

Mr. A. P. Flint, President, reads his address.

## PRESIDENT'S ADDRESS.

I am very glad that the frequency of our meetings and the ample reports of our various committees relieve your presiding officer from the necessity of making extended remarks upon this occasion. I shall not, therefore, detain you but a few moments, before calling for the regular reports.

I congratulate you that our Association has increased its membership during the past year. We have received fifteen regular and two honorary members, making our present number sixty-seven regular and six honorary members.

Death has invaded our ranks and removed two of our number—Henry Smith and W. J. Stoddart—to whose memory we have paid the proper tribute of respect. They have gone from our sight, but will long live in our memories.

The year just closed had but little to distinguish it from the preceding one. The report of our Commissioner shows a falling off in the amount of business transacted, but the underwriters are to be congratulated that the loss column shows a corresponding reduction. I shall not trespass upon the field of the Committee on Statistics, but leave them to give you the facts and figures.

The amendment to our Constitution, proposed at the last Annual Meeting, reducing the meetings of the Association from monthly to quarterly, did not meet with favor. We have, therefore, continued to meet every month, and the attendance at the meetings, when topics have been assigned for discussion, gives evidence of the interest in the Association. I believe we are all convinced of the value and importance of our Association, and recent discussions have shown that its influence is being felt. While its decisions have no legal force, they may and should have an influence quite as potent for good to the interests of the fraternity. But we must not lose sight of the main object of our organization, which is, in a word, *to educate*—first, ourselves.

In this profession which we have chosen we must ever be *learners*; and, unlike most other professions, our text-books are few. What we gather must be in the great field of experience. Hence the greater need of this Association, that we may, by “the interchange of views, opinions and personal experience,” assist each other—each one adding his quota to the common fund of information, thus becoming co-educators.

Second—the public. I believe it is the duty of the Association to instruct the public touching the relations of insured and insurer, and the duties each owes to the other, by diffusing information which will be of great benefit to all, and break down the antipathy which seems to exist against insurance companies, more particularly in the minds of all juries.

We can all bear witness to the ignorance existing—in many cases where we should least expect to find it—upon the simplest principles of underwriting, and the rights of either party in the contract commonly called “a policy.” Oftentimes the labors of an adjuster are increased fourfold by virtue of this ignorance which always breeds suspicion.

How, then, shall we meet this responsibility? In our membership we include most, if not all, the adjusters and specials of this coast—the active men of the profession, those who come in contact most frequently with the public, and from whom, in a large measure, they form their opinions of underwriters and underwriting. Let them, and every one of us, feel that *we* have a part to perform; that we, by our words—and tenfold more by our acts—are raising the profession of underwriting, making it honorable, not reducing it to the level of tricksters. Let us show that we are worthy to be entrusted with the immense interests confided to our keeping, and that it is our aim alike to protect the interests of insured and insurer.

We should use that great educator, the Press. We have a journal devoted to our interests, one which has always battled manfully for the right, and we should sustain it. But we need to use the daily press more; and I beg to suggest that we should have a committee whose object shall be to furnish, from time to time, articles taken from the insurance journals, transcripts of important decisions in our courts or other information touching the interests of underwriters, to our city and country papers, and by this means reach the public. The seed thus sown will return to us one hundredfold.

But I am wearying your patience, and will not keep you longer from that which is of more interest, the reports of committees.

Mr. Cole—Move the report be received and placed on file.

Seconded and carried.

President—Next in order is the report of the Standing Committee on "Local Agents," Mr. Bromwell, Chairman.

Mr. Bromwell—Mr. President and Gentlemen: I did not expect to have the pleasure of presenting my report in person this year, for the reason that I was out of town, and sent it to my friend Edwards, who kindly put it in solid shape.

## ADDRESS.

Another twelve months of zealous development of business in our field of persistent, ambitious effort to improve individual interests and those of our respective companies, brings us together again—for what?

"Looked at from below, all things diverge, but looked at from above, all things run into one another and combine." It is from the exalted view, whose influences are described in the latter part of this philosophical aphorism, that we mark out the purposes of our annual gathering. To those influences may be ascribed the gradual enlargement or extinguishment of the contracted sphere of individuality, and the full and lofty development of general interests. The immeasurable range of the business which this organization is designed to promote and harmonize, requires that there should be, periodically, such a resting place as is now furnished by this meeting, in order that the lessons hurriedly learned by individuals in the rapid march of progress, may be deliberately revised by the sagacity that lies in a multitude of council, and be crystallized by the same wise influence into a code of enduring principles.

In the general summing up, your Committee on Local Agents will accept the truism that "error is a thing not to be forgotten" if we would make practical application of the conquests of labor, diligence and experience. On such matters, we shall be as specific as the extended subject under consideration will warrant.

It is a general fallacy that fire insurance is of English origin, and, therefore, characterized by the peculiarities of English thought and action. But this business is traced by Jacobi, as far back as 1623, to the provinces near the Vistula, in Eastern Prussia, where mutual insurances were effected upon buildings and farm products solely. It would be a most interesting study to follow the business in all its historical details, from the planting of the seed two hundred and fifty-six years ago, down through all its experiences—as variable as the currents of air;—through its cautious speculation as to the future; its probing through misgiving and doubt; without tangible or scientific rules or legitimate methods; without universally recognized truths or practices; without classifications or consequential deductions, until, step by step, we reach the present mighty plane of action, divorced in a great measure from the perplexities incident to ignorance and speculation. The seed has germinated and the plant grown to an imperishable sturdy tree of life, with a firm hold upon mother earth, and with its protective branches, furnishing capital and labor—the world's great productive factors—with an almost unlimited sphere for the promotion and enlargement of industries, by removing the principal hazard of loss.

Branching out from the main trunk of the insurance system of to-day, is the great growth of agency representations, stretching out over the entire globe. The interests involved in this connection are of such magnitude, that too much thought, study, and cultivation cannot be expended toward harmonizing the mutual relations of constituent and representative. From the very *extensiveness* of the business, more than a moiety of the ever increasing responsibilities *must* devolve upon this creation of necessity—the agency representation.

Ordinary agency has not always enjoyed legal protection, and hence the rather ubiquitous sentiment of earlier days, that “men ought not to trust when they cannot exact obedience to the terms of the trust.” Looking comparatively at the present status of our agency system, we have indeed made rapid transit, for through THIS CHANNEL CHIEFLY, flow the millions, aye, billions of insurance income which measure the important trust that has been confided to the insurance companies. The great and almost unlimited discretionary powers and privileges which have accompanied the partial delegation of that trust to the representative agencies, require our most careful consideration, and the prompt adaptation of such forms as may be developed by established principles or by general or particular experience.

The sub-division of insurance labor, according to present practice, may be classified as follows:

*Surveyors or Mechanical Agency*—Acts confined to mere solicitation without power to bind principal.

*Qualified or Full Agency*—Discretionary power to bind principal and issue policies. Acts and utterances so far as third parties are concerned establish liability of the *mandator*.

*Broker*—The representative by mandate of the assured in whose interest he is recognized.

We will first consider the obligations and duties of the surveyors and qual-

ified agents to their principals, and also to their customers. It is in the delicate delineation between the interests of the company and those of the customer, that the tact and integrity of an agent come into play. Circumstances may arise in which the happy medium between those interests cannot be kept, and the agent must incline to one or the other. Which shall he favor? Appealing to his professional honor is the fact that the company has placed him in a position of trust, and that his first duty is to the trustor. Besides, the company is the party which pays his pecuniary compensation.

"Be it for better, be it for worse,  
Be ruled by him that has the purse."

But the same self-interest which calls to mind this distich will also point the moral of it with liberal interpretation. If the agent's profit comes directly in pecuniary shape from the company, the customer is the source from which the possibility of that profit originally rises. Amid the conflict of such promptings and inspirations, the agent must train his mind to a judicial severity and place the right where he believes it to belong. Companies or customers of the better sort will respect him for a judgment given in good faith although it may be against themselves.

Passing now from the moral to the legal relations of company agent and his customer, the company not only finds the capital and means necessary to the agent's profit, but, within the restrictions defined in the commission of appointment, the company is responsible for the acts and utterances of its agents. An acceptance of the agency is a *prima-facie* supposition that the agent is possessed of the requisite skill and capacity for the faithful performance of the trust. If he does not possess these qualifications, and is guilty of negligence, his right to compensation or commissions is forfeited. (*Boston Carpet Co. vs. Journeay*, 1 Daly, N. Y., 190.)

This negligence or disobedience of instructions, even with a view of furthering his principal's interests, renders the agent liable for damages by such non-performance or violation of orders. (*Bank of Mobile vs. Huggins*, 2 Ala., 206. *Hamilton vs. Cunningham*, 2 Brock., 350. *Hardeman vs. Ford*, 12 Geo., 205.) Specific instructions must be specifically obeyed. (*Wharton on Agency*, S., 266.)

The agent cannot relieve himself from liability on the score of ignorance. An agent's employee is not liable to the principal, unless such ancillary agent has direct discretionary powers from the common principal, the primary agent simply directing the object to be attained. (*Loomis vs. Simpson*, 13 Iowa, 532. *Hobbs vs. Duff*, 43, Cal., 485. *Wilson vs. Smith*, 3 How., U. S., 763.)

Accurate account must be kept by the agent of receipts, not only of moneys, but property coming into his possession by reason of the agency. (*Smith on Merc. law*, 47-49. *Clark vs. Moody*, 19 Mass. R., 145.)

If the agent can establish adverse claims *aliunde*, he may do so, but the proof must be *bona fide* and unmistakable. "So far as concern commission, his failure to keep accounts, is generally fatal. For, as is said by Lord Eldon, a man standing high in a relation imposing a duty to keep regular accounts, cannot be permitted to make a demand for work or labor in that character, of which he has kept no account." (*Wharton*.)

An owner can recover from the agent whatever was recoverable from the insurer, supposing there was no negligence on the agent's part. (*Perkins vs. Ins. Co.*, 4 Cowan, 465. *Fomin vs. Oswell*, 3 Camp., 357. *Park vs. Hammond*, 4 Camp, 344.)

The same cause for action and liability of agent to his customer, arises when by his carelessness some provision is neglected whereby the insurers are relieved. (*Sedgwick on Damages*, 6th, 402.)

An agent cannot defend on account of the agency, the result of carrying out illegal orders. (*Ford vs. Williams*, 24 N. Y., 459. *Wright vs. Eaton*, 7 Wis., 595.)

So also is the agent liable for deceitful and false statements on his principal's behalf, whereby third parties are defrauded. (*Milwaukee R. R. vs. Finney*, 10 Wis., 388.)

It may be accepted as a well settled principle of common law that an agent diligently acting within the scope of his authority, and disclosing the agency fully to third persons, fulfills all requirements and renders the principal liable for consequences; furthermore, whenever doubt or ambiguity exists as to the agency or liability of principal or agent, that construction will be given which gives effect to the contract and makes the principal liable.

(*Pars. on Cont.*, 95 Kent's Com., 460.)

Commissions are not due or payable until the transactions are complete. (*Walker vs. Tirrell*, 101 Mass., 257. *Trundy vs. Hartford Steam Co.*, 6 Rob., N. Y., 312.)

The rate of commission, when no per centum is agreed upon, will be determined by custom. (*Paley Agency*, 101-2.)

Before accepting applications or loss receipts from insured's agents or attorneys, the fact of the agency must appear on the instrument, and it must appear by the instruments themselves that there was an intention to exercise this authority as binding upon the principal. (*Hunter vs. Giddings*, 97 Mass., 41. *Wood vs. Goodridge*, 6 Cush., 120.)

An agent cannot act as principal and agent at the same time; it therefore follows, that a policy issued by himself on agent's own property, unless sanctioned and approved throughout by the company, is *prima-facie* fraudulent, and has no validity in Court.

It is observed we make no distinction between the surveyor and full agent, on the ground that by granting powers to bind principals in the former case, the line is narrowed down to one of restriction or limit, and the law is as applicable to the one as to the other, within their respective limitations.

In thus bringing forward the liability of agents to companies, and defining even briefly an outline of their responsibilities, we realize that the companies, and you gentlemen, their field aids, have been derelict in your duties in this respect. The companies employ specials, and build up the all absorbing ambition of the latter in one word—BUSINESS. The special, as contracted in idea as the company employing him, glides into the field, and his particular world revolves around his particular sun; and this sun, which is business, even outshines the great luminary itself. No other thought, no other requirement is necessary to earn a comfortable salary. And what is the result? The agent

has a toy, it is rose tinted and beautifully colored with commissions; everything moves smoothly, and both special and agent are making a record. Little by little, encroachments are made on the good nature of the company. This bar, and then that one, is thrown down, until there is *no fence at all!* All those limited powers and privileges which have been by piece-meal so reluctantly granted, seem in too many instances, to be expanding into an absolute surrender of all orthodoxy, and into a free abandonment of those safeguards which other commercial and governmental agencies deem conditions precedent to the establishment of agency. Instead of the agent merging into the principal, it is a fact very patent that the agent is fast swallowing up the principal. In this connection, it would be amusing, if it were not so serious, to listen to the general howl made by companies concerning compensation, instructions from the courts on waiver and estoppel, and laxity of the agency system. Why, agency itself is the creature of *usage*, and usage, the veritable offspring of the companies. It is estimated that we have 1,248 representatives on this coast subservient to San Francisco executives, and the question is put directly to each one of you who create these agencies and mingle with them, how much interest and time do *you* employ (when circling around), in educating agents up to a proper appreciation of their position—with its responsibilities—with its duties, not only of a material nature, but in a moral sense also? We maintain that it is our bounden duty to say to our agents in just so many words, “You may overstep the bounds of your agency and entail loss upon your companies by negligence or indifference to instructions; you may be lax and derelict in making returns and remittances; or by submitting exceptional hazards for examination. You may unauthoritatively waive vital and important rights under policy conditions, estopping your principal from defending his just interests; but if you do, *you are amenable in damages to headquarters.*” (*Wright vs. Dannah*, 2 Camp., 203. *Church vs. Ins. Co.*, 1 Mason, 341. *Copeland vs. Ins. Co.*, 6 Peck, 189. *Ely vs. Hanford*, 65 Ills., 267)

The agency should be annulled on the first offence! Better have no such machinery than sustain an ill-devised and ill-developed system, for “poor peasantry means poor kingdom”—“like man like master.” If the *companies* are void of back-bone and precision, of course, we need not look for these particular attributes of character in agents, and as we hurry along after the man making the greatest haste, it is easily discernible what a single evil like this, must have on the rest of the flock!

We realize that our agency system is the very lode upon which we mine, and while *some* of the ore costs more to mill than it is worth, and some is refractory, some high grade and others low grade, it all has to be worked just the same; but once in a while, we strike a *pocket*, rich in cautiousness, fealty, honor and profit, and it is worth just two dollars for one. It is compensation enough to the special; it is more satisfactory to the company than just two dozen of the *other* kind.

Reverting now to the technical part of an agent's duties, and looking at the points in his practice which indicate the difference between tact and integrity on the one side and carelessness and dishonesty on the other, we desire to

impress on his mind the necessity of acquiring facilities for the prevention of over-insurance. It is from this source that springs an ever-swelling tide of fraud and litigation. Insurance companies, in resisting the attempts of legislatures to make the amount insured on buildings the legal measure of their value in the event of loss, assert the impossibility of making precise valuations at the time of issuing the policy. This objection has more force in regard to the locality where the principal business of the company is conducted. There is not time for the precision required, and the extensiveness of the locality would entail the necessity of maintaining an expensive corps of experts. Much of this difficulty vanishes under the circumstances in which the local agent is placed. He has, ordinarily, time at his disposal. The area of his operations is comparatively limited, and the character of the buildings therein are not so diverse as in the large centers of business. Without the assistance of an expert mechanic, he may not be able to value a building precisely, but the application of the rules of cubic measure which are learned at the common schools, will give approximately the quantity of material which has gone to the construction, and from this standpoint the cost of material, the other expenses and the deteriorations may be computed. Such a valuation, of course, will not be minute enough for the adjustment of a loss, but the ability and willingness to make it would be sufficient to remove the temptation to fraudulent over-insurance which sometimes presents itself to the applicant for insurance when he finds himself in communication with an inexperienced or a careless agent.

In considering the relations of the companies to their agents, we leave out of the question that "that necessary evil,"—"the broker"—deeming this to be a question outside of our province as a committee on local agents.

We believe and know that the insurance agents of the Pacific Coast, as compared with any other section, are above the average in point of intelligence, business probity and responsibility; and further, that they are fully alive (in due proportion) to the peculiar delicacy of their position as between customer and company; but, as stated before, the proportion *not* appreciating the agency are either unfit for the place or badly educated by the principals. It is a mission of authority to counsel as well as constrain; to assist as well as command; to develop rather than absorb decent, honorable activity; to grant liberty of action; but *never* license. "Healthy reason," says Franklin, "has this peculiarity, that where people will not listen to it, it never hesitates to make itself felt;" and insurance companies who build up, but on one foundation—**BUSINESS**—propped up solely by personal interest—expediency rather than justice—must sooner or later pull *down* the mistaken structure, and start again, on the tripple foundation of union, progress, and conservatism—the co operation of both personal and general interests, as a certain inducement of profit and social advantages. How best to consolidate these interests, you, as visiting specials and executives, must determine. Example as well as precept must largely enter into the calculation, and the "moral empire over self" in these times of crowding, elbowing competition, means something more than winking at a wrong by not grappling and choking it promptly!

We have in our mind many local agents full of real devotion to their com-

panies, with minds (and bodies, too) sufficiently elastic to honorably outrun competition, but with a conscience stubborn enough also to retain the respect of contemporaries, and rebuke the occasional importuning of improper customers for improper privileges. We call these "well raised!" Promptness, dispatch, accuracy; a live interest in their agencies, their customers, their companies, and the *whole business*, make a cheerful streak of sunshine to gladden the hearts of us travelers when we fall into such keeping for a few days. This sort of energetic vitality is an antidote for the blues.

On the other hand, there is the shiftless, untidy, harem-scarem agent, who rejects dwellings because his commissions don't pay the trouble to write and report them, but who has a most wicked appetite for specials. The general characteristics of such an agent reveal themselves by some particular and separate part of him. It is not necessary to study minutely his whole condition. As the strength of a man or the grace of a woman may be fully denoted by a single or separate member or line of the bodily formation, so by the symmetry or irregularity of an agent's report may be estimated his general character for precision and efficiency. A sailor (to borrow part of an illustration used at a recent meeting of college alumni in an Eastern State) can tell the nationality of a ship by the general trim of her sails and rigging; and even without such technical observation as is required for this nautical expertness, one can tell an agent's grade of capability by the general trim of his record books. Where such a book is loosely kept, you will always find the agent whose transactions it records over-particular in ornamenting, beautifying, tinting and sugar-coating some miserable, risky, old special hazard, but leaving plenty in the way of survey, to *guess at*; full of moaning, growling and fault-finding at the rigid discipline (?) he is subjected to when we stop off to invoice the business and clean up! With just such a case as the one in point, where the company had lost by fire two of the three risks written, we were reminded, after listening to the agent's argument, of the physician and his first case at obstetrics: "We lost the child, and the mother *also* died on my hands; but, by careful nursing, *are hopeful of saving the old man!*"

Fertilize your field, gentlemen, with intelligent culture; introduce a little more moral electricity in your dealings and management, ever keeping in view that legislators and courts, in seconding, opposing or interpreting the laws, reach out and grasp after relations. As *you* act, so do you contribute towards these relations, and establish custom. As it is easier to tear down than build up, and as the entire profession is interested in the "tearing down," we should remember that fatal to perfection is the feverish haste and impatience for results, so incident to this peculiar business.

There is no doubt that our method of compensating agents without reference to net results, is of itself very injudicious, and must sooner or later undergo a reform by making the agent directly interested in the profit and loss at his agency. Like the value of every commodity, the price paid for agents' services has been determined by the ratio of supply and demand, and the demand in this limited field has exceeded the supply; hence the laxities of the system, and the commissions so increased that it is questionable whether, without drawing from the general agents' contract, or reduction of present

gross commissions paid, the business will justify any further burdens. Certain it is, nevertheless, that the principle of interesting the agents in profits is a correct one, and establishes a partnership which at once stiffens up his penetrative qualities as well as his moral backbone. As things are at present managed, it requires more moral courage than the average of mankind is blessed with to weigh a healthy flat commission against that almost unpronounceable "No." The chances are ten to one in favor of the former!

With a general withdrawal of this temptation to speculate with insurance capital there follows more certain profit, over-insurance receives a checkmate faulty construction becomes of important local concern, the moral hazard is fully canvassed; in fine, we divide responsibilities and harmonize the general interests throughout, and this object of itself we have been hunting after these many years!

We have been appealed to by many of the agents to suggest some other method of rates for the coast than the present obtuse and ambiguous arrangement in the several books in use. Of course, no *general* tariff can be made which would fit exactly and consistently to every particular locality and risk, but this has been obviated in a great measure by the adoption of *several* rate books, graded and apportioned to the several districts and the system of special rating, those particular risks enjoying especial advantages as fire hazards. We frankly admit that our rates, as a whole on the coast, have become decidedly complicated and badly mixed, partly on account of the variety and variability of rules and their construction, but principally on account of these very special rates. Inasmuch as the schedule plan has been worked into such universal favor, would it not be wise to use our Board Surveyor in the interior and gradually supplant our technical rate books with a positive, easily understood specific rate, of every connected hazard at the several agencies? The end would seem to justify the expense, for the more we simplify the rates, the less cause for ugly feeling and bad blood among agents; while such simplicity destroys the excuse of a professional rate-cutter, that he was in doubt as to the interpretation of this or that rule, or did not fully understand the application of the tariff.

The following is contributed by a poetical branch of the family, as exemplifying the risk and effect of following our rate books too closely:

#### THE TARIFF-IC END OF PETER FINK.

##### I.

In California, lately, lived a man  
 Named Peter Fink; a happy soul was he,  
 With loving wife to double life's short span,  
 And lovely children playing 'round his knee.  
 His bank account, from interest alone,  
 Supplied all wants and furnished lux'ries, too,  
 The cup of life for him seemed overflown  
 With every bliss that favored mortals knew.

He sat, one day, 'mong his green-house plants,  
 Secure from wordly bustle, strife and noise,  
 He smoked his meerschaum, fell into a trance,  
 So mesmerizing were his leisure joys;  
 A heavy hand upon his shoulder laid,  
 Aroused him, and he awoke, amazed to see  
 A nobby gent who swift excuses made  
 For breaking in upon his privacy.

## II.

Beg pardon, sir, I trust  
 I don't intrude? You see  
 I'm special agent of  
 The Golden Gate Insurance Company;  
 Your many friends solicit me  
 To offer you our local agency.

## III.

You're known so well, they say,  
 All seem so confident  
 You're honest ev'ry way;  
 They're sure whatever Fink may represent,  
 Will be received by ev'ry resident,  
 With unqualified, unquestioned assent.

## IV.

And then, to help the same,  
 Friends promise you their own,  
 And say your very name  
 Will bring you other risks, soon as it's known;  
 And in a month your business will have grown,  
 And cleared the field for you to work alone.

## V.

There's money in it, too,  
 There's millions in it—yes,  
 Bonanzas, sir, for you.  
 I know you're rich, but then you will confess,  
 Misfortunes are so great and numberless,  
 No man can make *too* sure his happiness.

## VI.

The work is pleasant, light—  
 You will accept? Good! Good!  
 I thought your head was right.  
 This book, "The San Francisco Tariff," should  
 Be studied first, 'tis quickly understood;  
 You can't mistake the meaning if you would.

## VII.

This bond please sign, and then,  
 Get sureties on; 'tis true  
 Ten thousand to *some* men  
 Might seem a stunning bond; I hope that you  
 Will please remember that but very few  
 Have *ever* done the business *you* will do.

## VIII.

I'll send you full supplies  
 At once; a mammoth sign  
 To catch the passers' eyes,  
 Some blotters to distribute, and a fine  
 Large lot of calendars; you'll furnish twine,  
 And hang one in each place that don't decline.

## IX.

I'll send you needed blanks,  
 For which you will receipt,  
 Deposit with good banks;  
 Report each month a careful, full, complete  
 Account of business done; and, I entreat,  
 Don't pass the fifth, but remit up neat.

## X.

Next week, on Main street, swung a massive frame,  
 Whose flashing letters made the passers blink;  
 "The Golden Gate Insurance Co."—the name,  
 "Assets, one billion; Agent, Peter Fink."  
 Within sat Peter bending o'er a book,  
 "The San Francisco Tariff;" low he conned  
 Its mystic pages chanting like a brook;  
 His frequent gasps of—"now, I'll be dog-oned!"

What does this mean?" bespoke a man perplexed;  
 Then he'd go out upon the street and stand  
 And gawk at buildings which the book indexed  
 Class "B," or "D"—and then the book was scanned;  
 And then he'd stare again, and rub his brow,  
 Soliloquize—"I see the building plain,  
 But is it 'B,' or 'C,' or 'D?' somehow,  
 Descriptions slip my mind; I'll look again."  
 And then he'd read about a Basis rate,  
 The minimum, the maximum, and turn  
 To Special Hazard Tables and rebate,  
 And then he'd add, as he would still discern  
 An opening, or privilege, or find  
 Deficiencies, exposures, coal oil stored,  
 Shake roofs, stove-pipes, partitions, part cloth-lined;  
 Steam-boilers, powder, technicals the Board  
 Created, indexed with a star to call  
 The Agent's notice to it, all these he'd read  
 Until he saw a low division wall,  
 And then he'd dive into his Tariff creed.  
 To rise aghast upon a Mansard roof  
 And find a special rate to *this* affixed;  
 And then a front not quite combustion proof,  
 Would leave confusion *still* more badly mixed.

## XI.

And thus he groped through labyrinthine doubts,  
 Until his soul was haunted with their ghosts;  
 All day he walked, like Leary, o'er his routes,  
 Distributing the blotters; nightly, hosts  
 Of ghouls held carnaival about his bed,  
 Each with a book of Rates from which he screamed  
 Instructions, warnings, o'er the agent's head;  
 And Peter groaned, talked in his sleep, and dreamed  
 Of fires, adjusters' risks,—and suicide;  
 And sometimes sprang affrighted from his cot,  
 And through the window—madly leaped outside  
 To add some special rate he had forgot.

## XII.

He passed his friends unnoticed on the street,  
 Absorbed in some vexatious Tariff doubt;  
 His cats and dogs fled at his coming feet,  
 He whipped his wife, and kicked his children out.

He changed so fast and grew so lean and lank,  
 He had to take a witness, ev'ry time  
 He made a draw on his account in bank,  
 Before the cashier would pay out a dime;  
 His debtors swore in court they knew him not,  
 And often beat him on the evidence;  
 His fortune went, he sold his house and lot,  
 And studied Tariff with his last few cents.

## XIII.

At last he learned it—notified his friends;  
 One offered him a risk, and asked the rate;  
 “Let’s see,” said Fink, “your building—it depends—  
 I’ll make it out and call this evening late.”  
 He hired a dray to haul instructions there,  
 Then set himself upon a curbstone nigh,  
 And read, and stared, extracted cube and square,  
 Deducted, added, and did multiply.  
 Thus days passed by, and just as Fink would be  
 Rejoicing to escape from gaping fools,  
 The mail would bring straight from the company,  
 A circular of—“Change in Tariff Rules.”

## XIV.

And when, at last, his weary task was done,  
 Poor Peter went to write the risk, Book Four;  
 The policy he filled and numbered “one,”  
 And learned his friend had died long months before.

## XV.

He got *another* risk and worked so long  
 To get ahead of changes in the rate,  
 He found, when done, the man was at Hong-Kong,  
 Had “busted up in biz” and left the State.

## XVI.

He *lost* another risk, because the man  
 Desired it to protect a patent right  
 And used steam-boilers; Fink, his work began,  
 But Fink and patent both ran out—same night.

## XVII.

Death freed his wife from sorrow and abuse,  
 The children all grew up, went to the "bad,"  
 At last, from Tariff chains, poor Fink got loose,  
 They took him 'cross to Stockton, raving mad.  
 And there you'll find this Peter Fink—to-day,  
 At work on application number one,  
 A victim of the mazy, changeful way  
 The 'Frisco Board, have local business done.

In closing our report, your committee beg leave to state that we have impartially considered the several and material shortcomings of our subject in the belief that to make a successful future we must renovate the present. By presenting a faithful picture of the every day development of our science and suggesting the application of such remedial facts as our devotion to a common cause has marked out as meet and proper, we trust that our functions as a committee have in a measure contributed towards the general good, the whole profession, and the business as an entirety.

Applause.

Mr. Dornin—I was about to rise to suggest that a vote of thanks be given for the very admirable and meaty report just read by Mr. Bromwell, had it not been for the reflections upon that much-abused body—the Local Board. As the only member here present of the Committee on Tariffs and Rates of that body, I take it upon me to say, that if the gentleman only understood the labors and annoyances which that committee is subjected to, by the difficulties continually arising to adapt general rules to suit specific cases, we should have his sympathy. [Laughter.] However, I am quite willing to forgive him, and make a motion that the Association extend a vote of thanks to Mr. Bromwell for his admirable report.

Carried.

Mr. Bromwell—I hope Mr. Dornin will not take offense at any expression contained in my report. My friends will give me credit for having done as much as anybody to make that tariff acceptable, and the writer of the report does fully appreciate the difficulties which you have labored under; only it would be a great advantage to have the rates in the country simplified as much as possible.

President—Next in order is the report of the Committee on Forms of Policies, Mr. Gunnison, Chairman.

Mr. Gunnison—Mr. President: I would rather the report should not be read at all. The fact is, I found myself this morning, or about noon, without any report, having depended in a great measure on my fellow committee-men for assistance, which was not forthcoming, so I sat down at a late moment and wrote out a little apology only. I would not read it, if it was not that a little nonsense is recreation, after listening attentively to good sense and reason, such as we have just heard, and as the time is precious, I would rather the reading be deferred for the reasons stated.

Mr. Smith—I move Mr. Gunnison's report be read.

Mr. Chalmers—Second that motion.

Carried.

Report read by Secretary:

## REPORT OF COMMITTEE ON FORMS AND POLICIES.

*To the President of the Fire Underwriters' Association of the Pacific:*

As Chairman of your Committee on forms of Policies, I have to report an apology only. I am aware that it is one of the most important subjects we have to consider; in fact, I am so deeply impressed with its importance that I dare not attempt anything, with my poor pen, that could assume the shape of a report worthy of this Association. With due acknowledgements of the honor you conferred upon my humble self, I have felt that you made a mistake in your selection, and made a sort of kangaroo committee, with a very small head and all the strength and energy in the limbs. Of course, the head has no valid objection to being a head, provided always that the limbs are willing to respond according to their strength.

I appealed to my fellow-members of the committee to help me out, in my dire extremity, as I am painfully aware that, alone, I am unequal to the occasion. To the kind offices of Mr. Robert Dickson I appealed, in my blandest and most winning style, as the one to whom we always look for intellectual, native wit; and to Mr. E. E. Potter, with my profoundest bow, as the embodiment of all the legal acumen of our most learned and excellent Association. With their help, I knew that you would secure an able, instructive and entertaining document, and "one worthy of ourselves!" But I ignominiously failed to draw a small salvage from either of them, either of wit or legal lore.

To be serious—for this is a very serious matter—must I say that, with my poor abilities, I find it a difficult undertaking to add anything new or interesting to the very able and exhaustive reports, of like committees, furnished the National Board of Underwriters and to the Association of the Northwest. To those I would most respectfully refer all seekers after knowledge in this line of thought. But should you wish to know *all* about it, to gain points you never heard of and never may hear again, you must ask some young adjuster who has just gotten through with his third or fourth adjustment, and saved his scalp, and he can inform you on forms and re-form of all former forms, giving you the long and the tall of it, the thick and the short of it, *Verbatim et literatim*; at least, I judge so from my own experience.

Mr. President, had it fallen to my lot to make this report long years ago, when I was but six months old (in the business), I could have written acres upon acres about the forms of policies. But fortunately I have forgotten all that. In fact, if I had not forgotten all I thought I knew then, I should know but little now. And I find I know less the further I go! In reality, many things that were positive truths then are ridiculously false now; so true it is that the more experience we have in this business, the more we know how little we know, you know! But it is useless to try to teach the young adjuster of losses, for he will not be taught. He is like the boy to whom his father said, "My son, it is folly to spend so much time and money for the young ladies. I have seen the folly of it." He replied, "Well, papa, I wish too see the folly of it, too." When the young student, just entering upon the mystery of policy forms, awakened to the beauties of the study by seeing a nice salvage slip through his fingers by a badly written policy, begins to acknowledge that he knows comparatively nothing, he is then in good condition to imbibe knowledge. Until then he is perfectly incorrigible. I have seen forms that I leaned upon, in fond confidence (forms of policies, I mean), that, before the bright light of a legal decision, melted away like a "baseless fabric of a vision." When the cherished prop that I had hugged to my manly breast slipped under me, I tripped up on a very small salvage, indeed.

To try to be serious again, I will say, that, to my mind, the *best* form is the *simplest* form. I am not going to trouble you with what that is, for it has been many times said, a thousand times better said than I can say it. The best policy is honesty, so to speak. Who would care for forms or conditions if no attempts at fraud were apprehended? In fact, if the dear, insuring public was as honest and void of deceit as the underwriters are just and magnanimous, the average adjuster might be happy—in *some other business*! I can say that on more than one occasion I have met attempts at fraud that made me devoutly wish the policy-maker had used a different form; and the next day, in another case, as frequently wish he had used no form at all. Oh! for the good old days of the first policy-writing—of the old Hartford—when every man's word was as good as a bond, and after the fire no questions were asked! Those were the halcyon days of fire underwriting. Then there were no bickerings over forms and salvages, for the adjustment fiend had not been born, and his sweet, winning voice not yet heard in the land.

Mr. President, this is a minority—an emphatic minority—of one. The wit

and brains of the committee declined to be represented herein. Hence it is as it is. I am no reformer of old forms or concocter of new ones. I take to my capacious arms all forms, just as the Supreme Ruler and the policy-maker have fashioned them, and proceed to adjust differences according to circumstances. I have not the time or the ability, or the egotism, to attempt the adjustment of the thousand-and-one opinions, nor the courage to advance one of my own. Hence this apology for having no report, which is

Respectfully submitted.

A. R. GUNNISON, Chairman.

Applause.

Mr. Potter—Mr. President: Being a member of that committee, I was just about to arise and apologize to the chairman for not having assisted in that report, but since listening to it, am inclined to think I displayed my good sense in remaining silent. Being an infant in the business, I should probably have spread myself and shown my ignorance. As it is, I congratulate myself on my modesty. [Laughter.] Mr. Gunnison called on me to assist in making up the report. The spirit was willing, but the flesh was weak, and I kept putting it off from time to time, thinking that we would get together and work it up, but the time slipped by, and it was too late. I have no suggestions to make, excepting one or two; one in particular I would call your attention to, and that is regarding the wording of policies on wooden buildings in the fire limits. I have inserted the following clause in one of my policies, viz: "No claim for loss shall be considered total on any building partially destroyed by fire and insured under this policy, by reason of any law or ordinance that prevents its being repaired or rebuilt, but such loss shall be estimated and paid the same as if no such law or ordinance existed." Another thing, hardly less important, is the insertion of the words "hazardous, non-hazardous and extra hazardous."

I think if there is anything that will make a policy non-concurrent it is those words. This is caused by each company making up its own "Classification of Hazards," to suit itself, hence they differ materially. The broker insists upon policies being worded alike; the agent complains, not knowing the classification of the other companies; in fact, it would be a day's work to check off the classification of a dozen different policies. When the loss comes, both the assured and the adjuster find to their sorrow that the policies are not concurrent; for what one

company calls hazardous, the other company calls extra-hazardous. Hence they *damn* the whole *hazard* family. [Applause.]

Mr. Gunnison—As chairman of the committee, I would suggest that Mr. Potter make a supplemental report.

Mr. Potter—Not at all; not at all. I would request that the Reporter do not take this down.

Secretary—It is already on his book.

President—What is your action concerning Mr. Gunnison's report, gentlemen?

Mr. Callingham—I move it be received and placed on file.  
Carried.

President—The next committee in order, is on Losses and Adjustments, Mr. George D. Dornin, chairman.

Mr. Dornin—I give way until after the report of Committee on Legislation is read.

Report of Committee on Legislation and Taxation read by Secretary.

## REPORT OF COMMITTEE ON LEGISLATION AND TAXATION.

Your Committee on Legislation, in compliance with a resolution of the Association, requesting them to frame a suitable ordinance for the adoption of cities and towns, creating the office of Fire Warden and defining the duties thereof, respectfully beg leave to report the following ordinance, to wit:

*An Ordinance creating the Office of Fire Warden and defining the duties thereof.*

SECTION 1. The Chief Engineer of the Fire Department shall be *ex-officio* the Fire Warden of the city or town.

SEC. 2. It shall be the duty of the Fire Warden, immediately after the occurrence of any fire by which any property shall have been endangered, damaged or destroyed, to institute an investigation into the cause thereof; and for this purpose he shall have power to issue subpoenas, administer oaths, and compel the attendance of witnesses before him, by attachment or

otherwise. All subpoenas issued by him shall be in such form as he may prescribe, and shall be directed to and served by any police officer or by any peace officer of this city (or town.) Any witness who refuses to attend or testify in obedience to such subpoenas, shall be deemed guilty of contempt and punishable by him, as in cases of contempt in Justices' Courts in civil cases; *provided*, that said officers shall not have jurisdiction to try any persons charged with commission of a crime for the purpose of inflicting punishment therefor, but shall make a written report of the testimony to the District or City Attorney, or such other officer as is authorized to prosecute criminal cases, and institute criminal prosecutions in all cases in which there appears to him to be reasonable and probable cause for believing that a fire has been caused by design.

SEC. 3. When property damaged by fire is in whole or in part covered by insurance, it shall be the duty of the Fire Warden to appoint a watchman or keeper, subject to the claim of the proper owners, and shall have power to fix the compensation of such keeper or watchman, the owner of the property paying therefor.

SEC. 4. Whenever, in the judgment of the Fire Warden, any smoke-stack, chimney, flue or stove-pipe endangers that or the adjoining property by fire, the Fire Warden shall cause the same to be abated, altered or improved, as he may think necessary for the protection of the property thus endangered.

SEC. 5. The Fire Warden shall be empowered to enter upon and examine any property where he shall have reason to believe there exists a defective stove-pipe, flue or chimney for purposes of examination thereof.

SEC. 6. Any person who shall resist the Fire Warden in the proper discharge of his duty, or who shall refuse to abate, alter or improve any defective stove-pipe, flue or chimney shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punished accordingly.

The adoption of this ordinance by the small cities and large towns throughout the State, your committee believe would be of great assistance to underwriters in the detection of incendiaries, by dispensing with the necessity of making criminal complaints before an investigation can be had, in many cases where they are morally certain that a crime has been committed. It would allow them to produce before the Fire Warden all pertinent testimony, which at present can only be produced after a formal charge of crime is made before a magistrate.

Your committee beg leave further to report that during the last session of the Legislature, which closed since your last annual meeting, about the usual amount of legislation hostile to the insurance interests of the State was proposed, and progressed to various stages of advancement. Among others was a bill authorizing mutual insurance companies to organize without capital and transact, with but little restraint, the business of underwriting.

This most dangerous bill to the interests of underwriters and insurers alike, was put through both branches of the Legislature during the last days of the session, before it came to the knowledge of your committee, but by a careful

and energetic representation to the Governor of its evil effects, your committee succeeded in stopping it in his hands, and we are pleased to report that none of the proposed hostile legislation encumbers the statutes.

All of which is respectfully submitted.

J. F. HOUGHTON,  
D. J. STAPLES,  
C. THOS. HOPKINS.

Your committee beg leave further to report, without recommendation, for such action as you may please to take, the accompanying draft of a bill which they learn will be introduced in the Nevada Legislature this week, entitled "An Act to detect and punish incendiarism."

J. F. HOUGHTON, Chairman.

San Francisco, Feb. 18, 1879.

## AN ACT TO DETECT AND PUNISH INCENDIARISM.

*The People of the State of Nevada, represented in the Senate and  
Assembly, do enact as follows:*

SECTION 1. Whenever it is made to appear by the complaint of any citizen that any building or other property has been set on fire or attempted to be, or burned from an unknown cause, or any cause not clearly accidental, it shall be the duty of any Justice of the Peace of the county where such fire occurred or was attempted, and to whom such complaint shall be made, to immediately summon three good and lawful citizens, who shall be householders in the county, to appear at the place of the fire at the time fixed as soon as possible, to enquire when, how and by what means the fire originated. If any person so summoned does not appear, the Justice shall complete the panel by appointment from the by-standers, or from citizens residing in the vicinity of said fire.

SEC. 2. When the panel is completed, the Justice shall administer the following oath: You and each of you solemnly swear that you will diligently examine and enquire when, how and by what means the fire which has here occurred was caused, and that you will return a true verdict according to your knowledge and such evidence as shall be laid before you; so help you God.

SEC. 3. The Justice of the Peace shall issue subpoenas for witnesses, returnable at such time and place as he therein directs. The witnesses shall be sworn and their testimony reduced to writing and subscribed to by them.

SEC. 4. The jury, after hearing the testimony and making all needful examination and inquiries, shall draw up and deliver to the justice holding such inquest their verdict, signed by them; or, in case of disagreement, by two of them, in which they shall find and certify when, how and by what means such fire was caused. Said finding, together with the testimony of the witnesses, shall be certified by the Justice of the Peace and filed with the clerk of the District Court of the county in which such fire originated within one week thereafter.

SEC. 5. For the purpose of investigation, the Justice and jury shall have free access to any building or property whatsoever.

SEC. 6. If the jury shall find that any person or persons wilfully set fire to the property in question, or attempted to, or that reasonable cause exists for believing them to have been accessory thereto, unless such person or persons be already in custody, the Justice shall issue a warrant for the arrest of the person or persons so charged, and shall deliver the same to any constable in the county or the sheriff thereof. In such case the Justice may bind over the witnesses or any of them to appear at an examination of the person or persons so charged, at such time and place as he may direct; but nothing in this Act shall be construed to interfere with arrests and examinations of any person charged with the crime of arson as now provided by law.

SEC. 7. For the purposes of this act, the Justice of the Peace shall have the same power to enforce the attendance of jurors and witnesses as when sitting as a committing magistrate, and the verdict of the jury shall be sufficient complaint to authorize the issuance of a warrant of arrest.

SEC. 8. The compensation for holding such inquest shall be the same as now provided by law for coronors' inquests, and shall be audited and paid in like manner.

SEC. 9. This Act shall take effect from and after its passage.

Mr. Bromwell—I move the report be accepted.

Gen. Houghton—Your Committee would suggest that if the proposed ordinance were adopted by the smaller cities and large towns in this State or on this coast, it would materially aid adjusters and agents in adjusting losses and arriving at the causes of fires. Under it they would be permitted to produce the testimony of any person having knowledge of the causes of any fire, before an officer duly authorized to enquire into such causes, without first making a formal complaint, charging a suspected party of crime. Any adjuster of large experience can call to mind many instances where he was morally certain the crime of arson had been committed, but through fear of possible failure to establish the fact, hesitated or declined to make the criminal charge which must be made before the testimony can legally be produced.

Mr. Brownwell—Move this report be accepted and placed on file.

Mr. Dornin—Second the motion.

Carried.

President—Next committee to report is on Losses and Adjustments, Mr. George D. Dornin, chairman.

## REPORT OF COMMITTEE ON LOSSES AND ADJUSTMENTS.

*Mr. President and Gentlemen of the Association:*

Certain cases, recently brought to the notice of this body, and forming topics for discussion in, and outside of, the Association and the profession, seem to present the text, which, with your permission, shall form the subject of the annual report of your Committee on Adjustments.

As stated in the Constitution, the objects of the organization are, "to promote harmony and good practice among the profession; the interchange of views, opinions, and personal experience, and the discussion of topics of interest to the profession."

Having these, the fundamental principles always in view, it follows that any discussion which brings prominently forward the various phases of practice in the profession we represent, and, in so far as it can, serves to educate one another, must result in ultimate good.

Your committee hold, that the perfection of all knowledge in the profession of Underwriting is yet to be attained; experience every day teaches, that the unknown quantity in the problem is always before us, and that the veteran, as well as the neophyte has much, very much, to learn.

The day has passed when any one can say, that he has attained the proficiency in experience and practice, which will make his conclusions just and irrefutable; we are a portion of the great business community in which the factors are constantly changing; the theories and the practices of twenty years ago, are unfitted for the times through which we are passing. The tremendous annual waste by fires, and their history, have so impressed business men, and builders, that the responsibility for imperfect architecture and the vicissitudes of business, have been shifted to the underwriters. So universal is insurance, such the cheapness, and the concessions which competition has induced, that it may be safely said that in the majority of fires, there is absolutely no loss to the assured.

With such immense interests involved, where small percentages in rates, expenses or salvages, aggregate hundreds of thousands of dollars, can any one doubt the necessity of such concert of action, such improvement in methods as will to some extent save this tremendous waste?

With the universality of insurance in social and business ventures, has come an increased moral hazard, and this has forced new conditions into the original form of the insurance contract, which is still full of ambiguities, forcing the Courts to interpret the intention of the parties. Read the terms, Mr. President, of the original Hartford policy of 1794, a fac-simile of which hangs on the wall behind you, and compare the conditions with those of the revised and re-revised insurance policy of to-day.

Those were the days, Mr. President, when no middle-man of a broker or Local Agent dictated terms for us, nor forced us to an interpretation which neither party intended.

Note the constantly changing editions of policies improved to meet the more recent decisions of the higher courts; go further, and read in the most recent Law Journals, or digest of decisions, the varied opinions of the Courts, crossing each other in every direction.

To be "up" in the profession, and its worthy representatives, therefore, it is essential that as far as practicable, we should keep pace with these changes, and he is not wise who ignores the views, the opinions, and the experiences of the humblest among us.

We do not need to go far from home to realize that something more than a printed tariff and a tape-line is essential to conduct an insurance company to success. It is human nature to rejoice, perhaps, when a company, conspicuous for its malpractices, goes into insolvency, and we eagerly gather round the corpse, to divide its raiment among us; nevertheless, every such failure, from whatever cause it may come, brings discredit in the eyes of the public upon the whole profession.

We are constantly forced to recognize the community of interests which exists among us, and that the individual good can best be attained through the welfare of the whole.

The great need of the times, is a course of procedure on the part of the *whole body* of insurance men, which will make our calling respectable before the people. Charlatanry, back-biting, and all manner of envy have *of right* no place among us, and should receive the ban of condemnation by every one who respects his profession.

Recognizing then, that as we conduct our affairs before the community, we shall—individually and collectively—be respected and prospered, these associations for brotherly counsel, advice and information, are valuable, and should be encouraged by every well-wisher, whatever his rank, in the profession of underwriters; and, while from the nature of our organization, we cannot make laws and rules to govern others, we may, by interchanging of opinions, kindly given, effect much good to those we represent.

No branch of the profession is so delicate as that of the adjuster, or so weighted with responsibility; upon him, more than any other, devolves an intimacy with the laws and usages of insurance; of the laws of trade and of value; of mechanics, and the cost of manufacture and of production; of the construction of contracts, and of judicial interpretations thereof; of agents and their powers and duties. No other requires to the same extent the power of analyzation of men and their motives, to trace through effect back to cause; he must be affable and thoroughly discreet, *suaviter in modo, fortiter in re*, as the case may justify.

Upon the adjuster devolves largely the reputation of his company, particularly in small neighborhoods and among the lesser communities; and he should use such wise discretion in conducting his case, that when his decision is reached, he shall be justified of men, even though it be adverse to the cliamant and his friends.

A blundering adjuster, who invariably acts from the standpoint that no loss can be a total one, and that his own reputation depends upon the amount of salvage he can make; who delights in counting the results of his prowess in this line, as the Indian the scalps of his enemies, can do more mischief for his company than any amount of after advertising or special cards of thanks can ever overcome.

With the reputation which such men have trailed through the land, there is little cause for wonder that the local agent often dreads the coming of the adjuster, fearing the results upon the business which he has laboriously built up.

Your committee would not be considered as deprecating that laudable ambition which points with pride to a skillfully conducted adjustment, or discomfited attempt at fraud. To bring to a successful issue, a complicated adjustment when all the odds are against the adjuster, is worthy of all commendation and of proper encouragement. "Bulldozing" a man into a settlement is no more worthy the adjuster who desires to make his calling respectable, than is the lump settlements so often made without inquiry, and too often for temporary and local capital.

No claim, however small, but will justify thorough investigation; no loss should be settled, without the same care in the details, that would be required in settling under a contract to build an engine, or furnish an invoice of merchandize.

If the amount involved is small, the experience gained as to the cause of the loss and the effect, will frequently avoid more extensive losses in the future; thus we find that the most experienced companies have their own special adjusters, in order to utilize the information thus acquired.

Hence the advantages to all interests, that companies should, so far as practicable, act together in settlement of losses. As no one adjuster embraces all the virtues and qualifications we have mentioned, so by comparison of views and opinions facts are evolved, which bring out better and more equitable settlements than could be obtained by individual action.

Your vote has already and very properly endorsed as unprofessional and discourteous the disposition to make capital by too swift haste to settle losses, where several companies are in interest and engaged in adjusting. The capital thus gained is ephemeral; the public has a short memory, and such favors are soon forgotten; and to be "bulldozed" into an unwise settlement, is as disagreeable and unprofessional as to bulldoze an honest claimant. Each company has its individual rights, and among these is the right to an honest, full adjustment, and this should not be prejudiced by the acts of others in the same loss, who have the ultimate right to set aside the adjustment, or take other courses in settlement.

The very general harmony and good fellowship which prevail among the field men and adjusters of the Northwest, have grown out of the recognition of the views as herein expressed, and this has been largely the result of the interchange of opinions, and of the councils of that splendid body of practical men, forming the Association of the Northwest.

In concluding this paper, your committee beg to say, that in expressing the

views herein set forth, they disclaim any personal reflections, or any lack of sympathy for those agents and companies, who, fearing the effect of adverse action, and under the pressure of outside interference, are sometimes forced into measures which matured judgment might not approve.

Your committee further invite the freest, fullest criticism hereon, and beg that no feeling of courtesy to them will prevent the expression of adverse views, wherever entertained.

Applause.

Mr. Garniss—I move that the very able report of the committee be accepted and placed on file.

Seconded and carried.

President—The next report is from the Committee on Fire Department and Water Supply, Mr. Nichols, chairman.

Mr. Nichols—I am sorry to say, Mr. President, that there is no report made; could get no assistance, and my courage failed.

Mr. Bromwell—Move more time be granted the committee—say till the next monthly meeting.

Seconded.

Mr. Gunnison—I wish to offer an amendment to that motion—to next monthly meeting, or adjourned meeting.

Mr. Bromwell—Accept the amendment.

Carried.

Mr. Bigelow—I think this is a meeting that was adjourned two weeks ago, and business of that meeting takes precedence.

President—Mr. Bigelow is in error. This is the regular Annual Meeting of the Association, for which the By-Laws provide a certain order of procedure.

Mr. Bigelow—Business of last meeting takes precedence to anything, except regular *annual* business.

Mr. Bromwell—Mr. President: This is the regular annual business. Would like to accomodate Mr. Bigelow by taking up

his particular pigeon here, but we must proceed with the Annual Meeting at once.

President—Report of Committee on Statistics is next in order. Mr. A. D. Smith, chairman.

## REPORT OF COMMITTEE ON STATISTICS.

*To the Fire Underwriters' Association of the Pacific:*

In view of the notable falling off of fire business experienced by each member of this Association, and more especially during the past year, your committee begs to present a few figures illustrating the growth of the fire business in California.

Prior to 1871, the sworn statements filed with the Insurance Commissioner, upon which these statistics are based, did not segregate the marine from the fire business done in this State.

The aggregate fire and marine premiums collected in California by 22 companies (8 California, 6 Eastern and 8 foreign) in 1868 were \$2,162,701, showing an average premium income to each company of \$98,304.

In 1869, 9 California, 12 Eastern and 9 foreign—30 companies in all—collected \$2,635,041.86 fire and marine premiums, an average of \$87,834.

In 1870, 8 California, 15 Eastern and 10 foreign companies—33 in all—collected \$2,419,115 fire and marine premiums, an average of \$73,306.

Commencing, then, with 1871, we find that 24 companies (5 California, 11 Eastern and 8 foreign) received \$1,462,829 fire premiums in California, an average to each company of \$60,951. The fire losses paid during that year were \$1,201,612, an average of \$50,067 to each company. To these figures, however, should be added the sum of \$286,508 paid by the Pacific and Occidental insurance companies on account of losses incurred during the previous year, making the actual amount paid during that year for losses exceed the fire premiums collected nearly \$26,000. This is the most disastrous year on record, and we trust that the experience of future years may not rob 1871 of its unenviable notoriety as the Black Letter year of fire business in California.

In 1872, the number of companies doing a fire business had increased to 38—14 more than in 1871, and including 6 California, 22 Eastern and 10 foreign; and they collected \$2,388,542 fire premiums, an increase for 1871 of nearly \$1,000,000. This proved a profitable year to the companies interested the percentage of loss to premium receipts dropping from 82 in 1871 to 28 in 1872, and helped to repair the serious inroads made upon the assets in 1871.

This profitable field attracted the attention of still other companies, for in 1873, 14 more aspirants for business located here, making 54 companies—7 local, 34 Eastern and 11 foreign—which collected \$2,926,631, an average of \$56,281 to each company, and paid \$777,717 losses, an average of \$14,956—a

better year than 1872; the ratio of loss to premium being reduced from 28 in 1872 to  $26\frac{1}{2}$  in 1873.

In 1874, we find an accession of 16 companies, making in all 68, composed of 7 local, 48 Eastern and 13 foreign companies. We find, also, an increased premium receipt, the amount collected being \$3,139,679, an average of \$46,171, and with a still more favorable showing in losses in proportion to the business done: the amount paid being \$783,303, an average of \$11,519, the percentage falling to 25, the lowest point reached at the present date.

In 1875, the number of companies had increased to 74—7 California, 50 Eastern and 17 foreign—which collected \$3,493,381, an average of \$47,207, and paid \$987,966 losses, an average of \$13,350, the percentage being 28, the same as in 1872, and, although slightly increased over 1873 and 1874, making a profitable showing.

Twelve more companies joined the little army in 1876, making 86 companies—7 California, 57 Eastern and 22 foreign—show an increased volume of premiums, amounting to \$3,711,618, an average of \$43,158. The losses, however, increased in still greater proportion and amounted to \$1,269,397, an average of \$14,760, the percentage jumping up to 34, the highest since 1871.

1877 opened with an addition of 3 more competitors—7 California, 56 Eastern and 26 foreign—in all, 89 companies; collected \$3,933,920, the largest amount of fire premiums ever collected in California in one year, the average per company being \$44,201. The losses show a decrease from those of the preceding year, the amount being \$1,219,900, an average of \$13,706, the percentage being 31.

In 1878 there were 91 companies—8 California, 55 Eastern and 28 foreign—whose premium receipts were \$3,539,522, a falling off of nearly \$400,000 from the receipts of 1877, the average being \$38,896. Fortunately the losses fell off in still greater proportion, the amount paid being \$921,224, an average of \$10,123, and showing a percentage of 26—an excellent year.

During the eight years under consideration—1871 to 1888, inclusive—we find a steady and healthy growth in the premium receipts until 1878. At the beginning of that (1878), basing our estimates upon the records of the seven years, we might have looked forward to a premium income of about \$4,200,000; the actual receipts, however, were nearly \$700,000 less than that amount. This noticeable falling off is attributable, we think, to the depressed condition of all business affairs that has prevailed during the past eighteen months. No new values have been created. Few buildings have been erected; the importer has countermanded his orders; the merchant has allowed his stock to run down; the owner of the homestead, with perhaps a mistaken idea of economy, has cut down the amount of his insurance, assuming a greater risk than prudence could dictate.

From the peculiar sensitiveness of our business to the prosperous or depressed condition of all other occupations, we think that the insurance business might be termed the financial barometer. Activity in our business indicates activity in all. In periods of stagnation in our business, look out for failures and general distress.

During the gradual increase in the amount of premiums collected in the period mentioned, we find that the number of companies has increased in a much greater proportion.

In 1871 there were 24 companies; in 1878, there were 91. The number doing business in each of the eight years—1871–78—were 24, 38, 52, 68, 74, 86, 89 and 91 respectively. In 1871 the average premium receipts were \$60,951, which by regular graduation decreased to \$38,896 in 1878. Owing to this remarkable annual increase in the number of companies, we find that, although the gross receipts actually increased until 1878, the average receipts per company has fallen off over 36 per cent. In short, we find the solution of this rapid decline that we, as individuals, have noted in our business, in this increased competition.

As to the outlook for the future. 1879 opened somewhat dismally. A greater decline than in 1878 threatened us. But the abundant rains of the past few weeks now promise a prosperous year to all, and we confidently hope that 1879 will foot up a large volume of premiums, and we sincerely trust that no serious losses may occur to detract from the profits.

For more convenient reference, the figures above given are presented in tabulated form below:

TABLE SHOWING FIRE PREMIUMS AND FIRE LOSSES IN CALIFORNIA DURING THE EIGHT YEARS, 1871 TO 1878, AVERAGES, &c.

YEAR.	No. OF COMPANIES.				FIRE PREMIUMS.	FIRE LOSSES.	AVERAGE PREMIUMS	AVERAGE LOSS.	Per Cent. Loss to Pre- m'ns
	California.	Eastern...	Foreign...	Total.....					
1871.....	5	11	8	24	\$1,462,829	\$1,201,612	\$60,951	\$50,067	82
1872.....	6	22	10	38	2,388,542	667,704	62,826	17,571	28
1873.....	7	34	11	52	2,926,631	777,717	56,281	14,956	26 ½
1874.....	7	48	13	68	3,139,679	783,303	46,171	11,519	25
1875.....	7	50	17	74	3,493,381	987,966	47,207	13,350	28
1876.....	7	57	22	86	3,711,618	1,269,397	43,158	14,760	34
1877.....	7	56	26	89	3,933,920	1,219,900	44,201	13,706	31
1878....	8	55	28	91	3,539,522	921,224	38,896	10,123	26
8 years.....	.....	.....	.....	.....	\$24,596,122	\$7,828,823	.....	.....	.....

Applause.

Mr. Dornin—I move that the thanks of the Association be given for such an excellent report, made out of such dry material, and that the report be received and placed on file.

Seconded and carried.

President—The report of the Committee on Library is next in order, Mr. J. W. Kinsley, chairman.

Secretary—Mr. President and gentlemen: In regard to the report of this committee, I desire to say that I saw Mr. Kinsley a few days ago, and he said he would have a report ready. I called at his office to-day, and was informed that he was at home sick, therefore I move the committee have more time.

Mr. Cole—Second the motion.

Carried.

Mr. Gunnison—Move we suspend all other business until the election of officers.

President—You hear the motion, gentlemen.

Mr. Bigelow—I think the reports of committees are in order first.

President—The report of Special Committee is in order.

Mr. Bigelow—Mr. President: I did not expect to be here. Mr. Dornin has reports of Special Committee, and he will read them.

Mr. Dornin—Mr. President: As representing the Chairman of the Committee, Mr. Bigelow, I desire to say, that this Committee is in rather a peculiar position; there is no majority report, but there are three minority reports.

Mr. Dornin reads Mr. Bigelow's report:

*To the Fire Underwriters' Association of the Pacific:*

A minority of your Committee to whom was referred the enclosed resolution, with instructions to report on the 18th of February, begs leave to report that the members of said Committee are of different minds, and as the subscriber will necessarily be absent at that date, George D. Dornin, Esq., will assume the Chairmanship of said Committee.

He begs leave to submit the following as his individual views on the matter:

That for various pertinent reasons it is recommended that said resolutions do not pass.

*First*—While admitting that the Association was formed for “the object of promoting harmony and good practice among the profession, and the interchange of views, opinions and personal experience, and discussion of topics of interest to the profession, and such other topics as may be brought before the Association,” he denies most emphatically the preamble which precedes said resolutions, and brands it as an attempt surreptitiously to fasten upon this Association a *declaration* that none of its members ever intended to assume to themselves or proclaim to the insurance world.

He denies that it is the office of this Association, as set forth in said preamble in substance, to hamper insurance companies in the business, or *make rules for their practice on this Coast*, or that it ever was the intention of its members to presume to *instruct* the veteran and accomplished underwriters governing the leading insurance companies on this coast, as to the mode in which their business should be conducted; and he denounces the attempt, by a resolution framed in an ingenious way to garble Article II of the Constitution of this Association.

He further suggests that until Article II of the Constitution is altered, and this school of young prophets are advanced beyond the freshman and sophomore years, it would seem more comely and modest that they do not arrogate to themselves the right to dictate to insurance companies “how to protect their interests,” or advise them as to sound practice in conducting the business.

*Second*—That the first resolution, with its preceding preamble, condemns as unbusinesslike and as malpractice a time-honored and almost universal practice, endeared to the hearts of all progressive and national underwriters through this continent—a practice that has been pursued by such time-honored and grand old companies as the *Ætna*, *Phoenix*, *Home of New York*, and others whose names were household words in our land when many of us members of this Association were sucklings at our mothers’ breasts, or perhaps only “among the things to be hoped for”—and such action would only render the *Fire Underwriters’ Association of the Pacific* ridiculous in the eyes of the underwriting world.

*Third*—Resolution second, worded as it is, has, in various forms and under different disguises, been presented for the approval of San Francisco underwriters many times during the last eighteen years. It is “*Monsieur Tonson come again*,” in its present shape, and should be *nailed to the counter now as a bad penny*. No company of any standing or experience ought or would give up its right to settle losses in any way, at any time, and on any terms, which in the judgment of its managers would most conduce to its prosperity, honor, or benefit.

Previous to the great fires of Chicago and Boston, the *joint convention* idea was not known. It was not given to this member of your committee to attend at the coroner’s inquest on the remains of those great cities, neither was he a mourner at the obsequies of the many insurance bodies whose bones lie whitening around the City of Marshes and The Tri-Mountain. But as plague and pestilence spring from great battlefields, so noisome notions and evil practices and detrimental germs of disease have sprung from these great

holocausts of underwriters. It becomes such of us as are alive and well to place a cordon round infected districts and sternly repel the miasma that might blight life and health. An adjuster *is made*, not born. To become an adjuster requires studious education for long years, legal research and long experience in actual cases; and, after years of practice, the best and most accomplished can only say they know little of the cunning ways of the insured or the divers minds of judge and jury. Each loss is an entity, and must be treated by itself as circumstances arise. It is therefore preposterous to ask an insurance company with money, reputation and business at stake, to pledge in advance that they will abide by a majority vote of a convention of underwriters, each member of which wishes their own man should be the chosen adjuster, with an eye not only to the emoluments of \$20 per diem, but also the *eclat* that always attends upon a successful "*cinche*." In this city most insurance companies have their paid adjusters, or in lieu thereof, favorite specials. The choosing of the committee on adjustment is a matter of vote and combination without regard to qualification or experience, on the old rule of "you tickle me and I will you." Your Committee (minority) believes that a practice that has had a trial of eighty years, and is still maintained by the older and more successful companies, ought to be good enough for our newer and more inexperienced fields.

Your (minority) Committee begs leave to advise that it is a good rule to let each insurance company be its own judge how to adjust and pay losses that occur, and who shall adjust the same. There is no partnership in insurance; there can be none in adjustment. Let each individual case stand on its own merits; "each for himself" seems a far better motto to your committee than the famous one of Chicago, "*Soc et tuum*."

Lastly, it is the earnest advise of your (minority) Committee that the scope of this Association be confined to instruction conference, and general enlightenment, and that we strive to educate *ourselves* before we attempt to instruct our superiors.

Most respectfully submitted,

H. H. BIGELOW, *ex parte*.

Mr. Dornin—(After reading Mr. Bigelow's report.) Now, Mr. President, I have prepared a report on the resolutions, which I submitted to Mr. Brown for his approval and signature, but with singular prejudice he has preferred to stand by his original resolutions. [Laughter.] Before reading my report, I will give way to Mr. Brown.

Secretary then reads Mr. Brown's report:

*To the Officers and Members of the Fire Underwriters' Association of the Pacific:*

Having been permitted to obtain a glimpse of the reports of the other two members of the committee to whom were referred certain resolutions presented at your last meeting, it becomes my painful task to differ from the recommendations of gentlemen so much my superior in age, ability, and acquire-

ments. It is particularly unpleasant to have to disagree with that venerable Nestor of the insurance profession, upon whose words we have so often hung entranced, and upon whom it is impossible to gaze without thinking of the appropriate words of that, *if possible*, still greater man, Shakespeare:

"Oh, good old man, how well in thee appears  
The constant service of the antique world."

But I am reluctantly compelled to deny the correctness of his facts (?), his deductions, and his reasoning. I assert that it has been the custom, and was so long before the Chicago fire, for underwriters to meet together to obtain concert of action upon adjustments of losses in which a number of companies were interested, and that in the larger Eastern cities such has been the custom ever since the business of fire underwriting began to assume the huge proportions it has now attained to. It is, and has been, the invariable rule, and no company, or no representative of a company, would think of commencing an adjustment until *all* the companies interested had their representatives on hand.

I must differ from both of my compeers in believing that the resolutions submitted neither dictate rules for the guidance of executive officers and managers, nor are in any way calculated to hamper any company in the legitimate transaction of its business. They are *recommendations only*, designed to express the sense of this body, and I hold that it is strictly within the scope and power of this organization, composed, as it is, of representatives from nearly every office in this city, numbering in its membership executive officers, general agents, special agents, and adjusters, in short, almost the entire body of *practical educated and experienced* men connected with the profession on this coast, to make this and similar suggestions and recommendations to the various officers.

With this exception, I cordially agree with the able report of Mr. Dornin, but as this exception is a most essential particular, the pith and marrow of the whole matter, without which the resolutions would be as the play of Hamlet *without the prince*, I refrain from uniting with Mr. D., and respectfully beg leave to recommend the passage of the resolutions as presented.

Respectfully submitted,

EDWARD BROWN.

Mr. Dornin reads his own report:

*To the Fire Underwriters' Association of the Pacific:*

GENTLEMEN—The undersigned minority of the Special Committee, to whom was referred the preamble and resolutions offered at the last meeting of this Association, begs leave to report:

That the welfare of this Association can be best subserved by a careful recognition of the objects for which it was organized, as expressed in Article 2 of the Constitution, to-wit: "Article 2—Its object shall be to promote harmony and good practice among the profession; the interchange of views, opinions and personal experience, and the discussion of topics of interest to the profession, and the consideration of such subjects as may be brought be-

fore the Association." That it is beyond the province of this Association to lay down any rules for, or hamper in any way the officers or managers of companies in their business methods, as upon them rests the responsibility for the safe conduct of their affairs. While recognizing this to the fullest extent, we beg to submit that professional courtesy demands, and sound business judgment indicates, that harmony of action and uniformity in practice will best subserve the individual good, no less than the general interests of the profession of underwriters.

That we condemn, as unprofessional and unbusinesslike, the sharp practices which have at times been substituted for the careful and critical adjustment of losses, and by means of which the profession of the adjuster has been degraded and the practice of underwriting brought into disrepute before the community and the courts.

That hasty settlements of losses tend to encourage incendiarism and promote extravagant claims; hence, unless the origin of the loss and amount of claim are proven beyond all reasonable doubt, good policy demands that the company or companies in interest should not anticipate the maturity of the claims against them.

That economy and the best ultimate results demand that when two or more companies are interested in a loss, they should act in concert in the adjustment; that, so far as practicable, no important move affecting the rights of any should be made, without previous communication to all the companies in interest; and when adjusters, properly appointed, are acting upon a loss, if for any reason a company desires to withdraw, or take other means than those being adopted to bring about a settlement, business usage and courtesy demand a preliminary notice to those interested.

That the custom of advertising the payment of individual losses is not to be commended, for the reasons that, by implication, such prompt payments are the exception, and not the rule of the company so advertising. That the only merit in this method of advertising a company lies in its antiquity; and that it has been tacitly abandoned by companies of the largest experience.

Respectfully submitted.

GEO. D. DORNIN,  
Minority of Committee.

Mr. Bigelow—Reports have now been read, and I move the resolutions be laid on the table.

Mr. Garniss—Mr. President: As I understand it, these reports are to be taken up *seriatim* and passed upon.

Mr. Dornin—Move that all these reports be received and placed on file.

Mr. Smith—Second the motion.

Carried.

Mr. Bigelow—As chairman of committee, I move Mr. Brown's resolution be laid on the table.

Not seconded.

Mr. Dornin—Let me suggest, before we get too far adrift in a sea of conflicting motions, that it is somewhat in accordance with parliamentary usages, to dispose of a minority report first, after it has been made the property of the body by its acceptance. Now, in this case, we are met with the dilemma as to *which is the minority*. To determine this, it seems to me proper that we ascertain which two of the reports run most in harmony. It is apparent that there is no great divergence of views between Mr. Brown's report and mine; this being the case, they may be considered as of the majority. Mr. Bigelow's report being adverse to the resolutions in every particular, may properly be considered as a minority report, and may properly be disposed of first; then the motions upon the others will come in regular order.

President—In order to expedite business, you will please act on Mr. Bigelow's report.

Mr. Bromwell—Move Mr. Brown's report be accepted as the sense of this meeting.

Seconded.

Mr. Gunnison—Move Mr. Dornin's report be accepted as the further sense of this Association.

Mr. Bromwell—Second it.

Mr. Kinne—I would like to inquire of the Secretary whether these two reports contradict each other, or whether they conflict in any essential point—whether they are alike, or is one an argument in favor of certain resolutions, and the other against it. I would ask Mr. Dornin if these reports conflict; if so, we ought to know it. Gentlemen, let us not be foolish, but understand fully what we are talking about.

Mr. Dornin—I have not read Mr. Brown's report.

Mr. Brown—There is only one material point of difference, and that is a *very material one*. Mine recommends the passage of

the resolutions, and Mr. Dornin's does not recommend them, for the reason that he believes they will tend to lay down rules which it is not within the power of this body to do, and may possibly hamper some company in the settlement of losses in the future. Now, I will read the resolutions again, and I think every one will be convinced that there is nothing in them to hamper a company, simply a recommendation to companies:

"This Association was created for mutual information of its members, for the protection of the interests of the companies to which they are attached, for the advancement of harmony, and sound practice in the transaction of the business of fire insurance on this coast. The Association has heard with unfeigned regret and pain of certain departures on the part of several of its members from those principles of business practice which it has been endeavoring to foster and encourage; therefore, be it

*"Resolved*, That this Association condemns in the strongest measure all attempts on the part of any company or companies to attract attention and to curry popular favor by undue and hasty settlements of losses.

*"Resolved*, That this body urgently recommends to companies' general agents, that they shall, whenever two or more companies are interested in a loss, adjust such loss in unison, and that no company shall proceed to settle the claim against it until all those items covered by its policy, in which other companies are interested, have been fully and finally adjusted; and that whenever companies enter conjointly into an adjustment and appraisal, they shall not recede from such adjustment and appraisal without submitting the matter to all the companies interested, and on the affirmative vote of a majority of said companies."

Mr. Bigelow—I would like to know what question he is speaking to?

President—The adoption of Mr. Dornin's report.

Mr. Brown—I was saying, gentlemen, that these resolutions do not hamper any company, but simply recommend a line of conduct to be pursued in the adjustment of losses.

Mr. Dornin—It will be seen, from what Mr. Brown has said, that no material difference exists between the two reports. My objection to the resolutions lies mainly in the phraseology of the first portion, and in making my report I had in view to allay any possible antagonism between the officers and managers of companies who are not our fellow-members and this Association. There are many such who wish the Association well, but take no

active part in it. I think there is a great future of usefulness in this Association, and we should be careful not to antagonize any element, by arrogating to ourselves, even by implication, the power to make rules to govern companies doing business here. I would like to say here that I have no feeling in the matter, but hope the Association will act harmoniously in its disposition of the reports.

Mr. Kinne—Move that the resolutions be laid on the table.

Mr. Spencer—Second the motion.

Mr. Gunnison—Move Mr. Dornin's report be accepted as further sense of this meeting.

Seconded and carried.

Mr. Garniss—As there is no majority report, I would make a motion that Mr. Brown's and Mr. Dornin's reports be received as a majority report and expressing the views of this meeting.

Seconded and carried.

Mr. Bigelow—Mr. President: Will you allow me to withdraw my report?

Mr. Brown—Mr. President: I do not think it is proper to permit Mr. Bigelow to withdraw his report.

Mr. Hawes—Quite agree with Mr. Brown that whenever reports are made, parties should not be allowed to withdraw. Would like to have the report of Mr. Bigelow kept here for reference.

Mr. Bigelow—I will now withdraw my motion and substitute another. I will now ask to have the papers printed as my opinion.

Mr. Gunnison—Move we adjourn until next Tuesday (20th), at 8 o'clock.

Seconded and adjourned.

The Association met pursuant to adjournment, on the 20th day of February, 1879, at 8 o'clock A. M.

A. P. Flint, Esq., President, in the chair.

Present—Messrs. A. P. Flint, L. L. Bromwell, A. D. Smith, A. R. Gunnison, Geo. D. Dornin, C. T. Hopkins, W. L. Chalmers, C. M. Kinne, J. C. Jennings, Geo. E. Butler, W. B. Bur-  
tis, and J. W. Staples.

President—The reading of the minutes is next in order.

Secretary—The reporter has not furnished me with the report of the last meeting, and I will have to ask the postponement of the reading.

Mr. Kinne—I move that the reading of the minutes of the last meeting (annual, held 18th) be postponed until the next monthly meeting.

Seconded and carried.

Letter from Mr. Geo. W. Hayes, Secretary of the Fire Underwriters' Association of the Northwest, was read from the Secretary's desk.

Mr. Bromwell—I move the letter be received and placed on file.

Seconded and carried.

Mr. Bromwell—I move that the Secretary be requested to make a suitable reply to Mr. Hayes for his kind words.

Seconded and carried.

Letter from Mr. C. R. Story, tendering his resignation.

On motion, was accepted.

Secretary called attention to the fact of Messrs. J. W. Hart, J. W. Kinsley, Dave Rorick,\* and E. D. Wright having retired

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\* Rescinded by following resolution, passed March 25, 1879:

*Resolved*, That so much of the motion passed at the meeting held February 20th, applying to Mr. Dave Rorick, is hereby abrogated, and that Mr. Dave Rorick be and is now restored to membership as if no such action had taken place, and that the Secretary notify Mr. Dave Rorick of his restoration to membership.

from the insurance profession and asked the pleasure of the Association in regard thereto.

Mr. Kinne—I move that the withdrawal of those members from the insurance profession be taken as evidence of the desire on their part to resign from membership with this Association, and that their resignations be accepted.

Seconded and carried.

Mr. Bromwell—In the Association of the Northwest, they have a repository for the collection of material and interesting subjects, not properly belonging to any committee, which is called "The Omnibus." I think it would be well if we were to start a similar receptacle for this Association, to be called the "California Knapsack."

Col. Kinne—I am happy, as a soldier, to second so worthy an object as a *knapsack* under any circumstances, and hope the same will be well patronized.

Carried.

Mr. Bromwell—I move that the Secretary deposit a voucher with the Treasurer for fifty dollars for services the past year.

Seconded and carried.

Report of Committee on Library was read from the Secretary's desk.

## REPORT OF COMMITTEE ON LIBRARY.

*To the President and Members of the*

*Fire Underwriters' Association of the Pacific:*

The duty of getting up a report on "Library" devolves upon the youngest member of the committee, who, up to this moment, supposed the Chairman, Mr. Kinsley, (who, being an editor, is expected to be up in making reports, and to whom the getting ready a dish of this kind before breakfast is a pastime) would make a very able report and one commensurate with the subject. It seems, however, that Mr. Kinsley is sick, and his physician has positively forbidden him to use his pen. Mr. Spencer, another of the committee, is out of town, and therefore on me devolves the onerous duty to present a report, hastily compiled and therefore necessarily brief.

Your committee beg to call your attention to the book-case, in answer to

the query, "How is the Library?" It will speak *volumes* for itself, and, as a Law dispenser, can furnish all the recent decisions.

The "MONITOR" can silence all questions of dispute, and we can always be said to be up with the "TIMES," and while we, on this "COAST REVIEW" all that goes on, we can hardly be said to be a disinterested "SPECTATOR."

We herewith submit a list showing the contents of our book-case at the present time:

#### BOUND VOLUMES.

*Coast Review*, Vols. 2-3, 4-5, 6-7, 8-9, 10, 11, 12, 13.

*Codes and Statutes of California* (2 vols.), Theo. H. Hittell. Vol. 1—Constitution, Political Code, Civil Code. Vol. 2—Civil Procedure, Penal Code, Statutes.

*Commentaries on Agency and Agents* (1 vol.), Wharton.

*Digest of Fire Insurance Decisions* (1 vol.), Littleton & Blatchley. 3d edition, Clement Bates.

*Digest of the Law of Fire Insurance* (1 vol.), Oliver B. Sansum.

*Fires; their Causes, Prevention and Extinction; combining, also, a Guide to Agents* (1 vol.), F. C. Moore.

*Fire Insurance Cases* (4 vols.), Edmund H. Bennett. Vol. 1—Cases from 1729 to 1839. Vol. 2—Cases from 1840 to 1849. Vol. 3—Cases from 1849 to 1854. Vol. 4—Cases from 1855 to 1865.

*Fire Underwriters' Text-Book* (1 vol.), J. Griswold.

*Flanders on Fire Insurance* (1 vol.).

*Insurance Times*, Vols. 10 and 11.

*May on Insurance* (1 vol.), Fire, Life, Accident-Guarantee, etc.

*Monitor*, Vols. 25 and 26.

*Municipal Reports* (4 vols.), 1874-5, 1875-6, 1876-7, 1877-8.

*Proceedings of the Fire Underwriters' Association of the Northwest* (2 vols.), 1875-6 and 1878.

*The Insurance Law Journal* (7 vols.).

#### PAMPHLETS.

Address—J. B. Bennett, Esq., before the Association of the Northwest, Sept. 27th, 1876.

Address—J. S. Blackwelder, Esq., President Association of the Northwest, Sept. 18th, 1878.

Annual Report Chief Engineer San Francisco Fire Department, year ending June 30th, 1878.

Annual Report Fire Marshal Durkee for year ending June 30th, 1878.

Annual Reports San Francisco Fire Patrol, 1876, 1877 and 1878.

"General Orders," being a compilation of the ordinances now in force in the City of San Francisco.

The following rule was passed by the Association at the meeting held December 17th, 1878, viz:

"*Resolved, That the Secretary be empowered to loan to members of this Association any book or pamphlet contained in the Library, for a period not to exceed one week at any one time, taking a receipt therefor.*"

While nothing in the resolution so provides, yet we suppose it is intended to abrogate the following rule, passed May 15th, 1877:

"No books belonging to this Association shall be removed from the library room under any circumstances, except for use in Court, and only then upon giving a written receipt to the Secretary therefor."

Would it not be well to put a motion to that effect, and we shall have the wishes of the Association well defined?

In the matter of "Library," will not some of the members take the trouble to suggest to our successors, the next "Committee on Library," any valuable works on insurance. We have plenty of room in our spacious book-case, and when called upon we ought to be able to produce all the *law and reference books extant*, bearing on fire insurance.

Donations to our library are like a motion to adjourn, *always in order*.

A suggestion and I will close: Would it not be a fitting tribute to the "Boards of Fire and Marine Underwriters of San Francisco," for their courtesy in according to us the free use of their room for our meetings and a repository for our Library, to tender to them the free use of the volumes therein contained, under the same restrictions as govern ourselves?

Begging you to excuse the brevity of what ought to be a long report, I desire to remain,

Respectfully yours,

L. BECK,  
Of Committee on Library.

Mr. Chalmers—I move the report be received and placed on file.

Mr. Bromwell—I move that a special committee of three be appointed by the Chair to carry out the suggestions contained in the report of the Committee on Library.

Seconded and carried.

Mr. Smith—I move that a committee, to consist of Messrs. Edwards, Dornin and Bromwell, be appointed to carry out the suggestions contained in the President's address.

Seconded and carried.

President—The report of Committee on Fire Department and Water Supply, Mr. Nichols, chairman, is now in order.

Mr. Nichols—Mr. President: I have not had the time to arrange anything in the shape of a report since the last meeting

(18th), and shall have to ask for more time, or to be excused from the report entirely.

Mr. Smith—I move that Mr. Nichols have until the next monthly meeting to complete his report.

Seconded and carried.

Mr. Gunnison—Mr. President: I move the suspension of the rules, and that the name of Mr. C. T. Hopkins be placed in nomination for President of this Association for the ensuing year, and that the Secretary be directed to cast the vote.

Seconded and carried.

The Secretary cast the vote for Mr. C. T. Hopkins.

President—Gentlemen: I take pleasure in announcing that Mr. C. T. Hopkins is elected unanimously as President of this Association for the ensuing year.

Mr. Bromwell—I take pleasure in placing the name of A. D. Smith in nomination for Vice-President, and that the Secretary be directed to cast the vote.

Seconded and carried.

The Secretary cast the vote for A. D. Smith.

President—Gentlemen: I take pleasure in announcing that Mr. A. D. Smith is unanimously elected Vice-President of this Association for the ensuing year.

Mr. Bromwell—I want to place in nomination for the offices of Secretary and Treasurer the name of the present incumbent, Mr. J. W. Staples, and move that under a suspension of the rules the vote be taken standing.

Seconded by Kinne, and carried.

Vote taken standing.

President—Gentlemen: I take pleasure in saying that you have unanimously elected Mr. James W. Staples to the offices

of Secretary and Treasurer of this Association for the ensuing year.

Secretary—Mr. President and gentlemen: [Call for speech.] I am too modest to make a speech, but rose to thank you for the marked appreciation of my services, and to say that in the future as in the past my efforts will be how best I can serve the interests of the Association.

Applause.

On motion, adjourned.

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The report of Committee on Fire and Water Supply was read at the meeting held June 17th, 1879.

## REPORT.

*Mr. President and Gentlemen of the Association:*

In presenting this report your Committee regret that its preparation had not been placed in more competent hands. A statistical report of the Fire Department, available Water Supply, etc., of the cities and towns of this Coast was contemplated by this Committee, but the difficulty of obtaining new facts of value, and the meagreness of the information at present at our command has caused us to relinquish the plan for this report.

In this connection we would beg to suggest to the members of this Association, whose duties call them to so many different points on this Coast during the year, that informal reports, on the subjects that should be treated by this Committee, relating to the various places coming under their observation, if handed to the Secretary from time to time, would be of great value to our successors in preparing their report for the current year as well as to the Association at large. Information as to Apparatus, Cisterns, Hydrants, Supply of Water claimed, and items of that nature may of course always be obtained from those in charge of the departments. But beyond this it is desirable to be informed as to the efficiency and discipline of the members of the department. The state of repair and order in which Machines, Hose, and all apparatus is kept, if Hydrants (when used) are in condition for instant service, etc. And those facts can only be reached by some interested person, not connected with the departments reported on. The exhaustive report of the Chief Engineer of San Francisco Fire Department, which has probably been perused by the members of this Association, makes it unnecessary for your Committee to enlarge upon its statistics, etc. We would, however, con-

gratulate the insurance fraternity, as well as property holders generally, on the efficient addition to the apparatus of the Department in the shape of the steam tug Governor Irwin, with its auxiliary fire pumps and attachments, filling as it does a long felt need for the protection of the water front and the section adjacent thereto of this City. The department of Oakland, our nearest neighbor, is effective as far as its limited capacity will permit. That city, spreading over a large extent of territory not less than three miles square, and with what might be an ample supply of water if properly distributed, looks for protection to a department composed and supplied as follows, viz.: Number of members, including officers, 53; of which two drivers for each engine alone are required to give all their time to their duties—engineers and all others attached to the force merely responding to alarms. The apparatus consists of three second-class and one third-class steamers with hose carts. One Hose Carriage, one Hayes' Truck with 75 feet extension ladder, one Hook and Ladder Truck, 3,400 feet good rubber Hose. There are 148 Hydrants in excellent condition, and a number of Cisterns connected with the water mains; 22 fire alarm boxes and 10 additional ones to be put up immediately. To place this department on an efficient footing, there should be an increase of at least two steamers with 2,000 feet of new hose. Steam circulating heaters should be connected with all the engines, and many minor improvements might be suggested in addition, and the number of Hydrants and Alarm Boxes should be largely increased. Trusting the needs of this particular department may be filled without delay, and thanking the Association for the consideration shown this Committee, we beg to leave the subject to the consideration of our able successors.

C. M. NICHOLS,  
OLIVER HAWES,  
SAM'L O. HUNT.

# This Mourning Page

*By order of the FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC,*

*is given to the memory of our esteemed associate and friend,*

## William J. Stoddart,

*Who was born in Farney Hill, Scotland, July 15, 1831,*

*And who died in San Francisco, June 7th, 1878,*

### Aged 47 Years.

---

*He was engaged in the profession of Underwriting for ten years, and at the  
time of his decease was Agent for the*

New York Underwriters' Agency,  
Manhattan Fire Insurance Company of New York.  
Phoenix Insurance Company of Brooklyn,  
and Home Insurance Company of Newark, N. J.

*He was a Member of the*

### Fire Underwriters' Association of the Pacific

*at the time of his death.*

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Pa le!

# An Memoriam.

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*By order of the FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC, this page  
is given to the memory of our esteemed associate and friend,*

## Henry Balzer,

Born in Hamburg, September 20, 1845,

And deceased in San Francisco, April 6, 1879,

### Aged 34 Years.

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The firm of Henry Balzer & Co. were successors to the firm of Beil, Bertheau & Co. (being composed of Mess. Gus. Beil, C. Bertheau, father of the surviving partner of the firm Henry Balzer & Co., and C. A. Balzer, father of Henry Balzer). The firm began in 1849, in the commission and shipping business, and in 1873 added the Insurance Department to the same, taking the agency of the Switzerland Marine Insurance Co.; in 1874 the Svea Fire Insurance Co. was added, and in 1874 the Svea and North German combined, and later was added the Helvetia, New York Underwriters' Agency, Manhattan, and two Marine Companies were added to the agency.

The Insurance profession lost a warm friend in the death of Mr. Balzer. Cut off in the flower of his youth we feel the loss keenly.

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Farewell, kind friend and associate!

## OFFICERS FOR 1879.

C. T. HOPKINS.....	President.
A. D. SMITH.....	Vice-President.
J. W. STAPLES.....	Secretary and Treasurer.

*Executive Committee.*

A. P. FLINT,	WM. MACDONALD,	A. R. GUNNISON.
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*Standing Committees for 1879.*

## LOCAL AGENTS.

Geo. W. Spencer,	Geo. F. Grant,	H. W. Snow.
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## FORMS OF POLICIES.

E. E. Potter,	J. D. Bailey,	T. A. Mitchell.
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## LOSSES AND ADJUSTMENTS.

Wm. Macdonald,	P. Outcalt,	Wm. Sexton.
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## LEGISLATION AND TAXATION.

Geo. D. Dornin,	Chas. D. Haven,	E. Brown.
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## FIRE DEPARTMENT AND WATER SUPPLY.

A. P. Flint,	W. N. Olmsted,	C. W. Nichols.
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## STATISTICS.

E. W. Carpenter,	Louis Mel,	W. P. Thomas.
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## LIBRARY.

O. H. Cole,	J. C. Jennings,	W. J. Landers.
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## CALIFORNIA KNAPSACK.

Col. C. Mason Kinne, Manager.	Wm. Macdonald.
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# PROCEEDINGS

## OF THE

### FOURTH ANNUAL MEETING

## OF THE

# FIRE UNDERWRITERS' ASSOCIATION

## OF THE PACIFIC.

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The Association held its fourth annual meeting on the 17th day of February, 1880, at their rooms in this city, Mr. C. T. Hopkins, President, in the chair. A full attendance was present.

The meeting was called to order, and, in the absence of Mr. J. W. Staples, the Secretary, Mr. Geo. W. Spencer was appointed Secretary *pro tem*. After calling the roll and reading the minutes of the last meeting, which were confirmed, he read the annual report of the Treasurer:

*Fire Underwriters' Association of the Pacific, in account with J. W. STAPLES, Treasurer.*

1879.	Dr.	
Feb. 18.	Balance on hand and in Bank.....	\$107 33
	Received for dues and fees.....	157 50
		\$264 83
1879.	Cr.	
Feb. 26.	Paid F. H. Lombard, Reporter.....	\$10 00
" "	" J. W. Staples, Secretary.....	50 00
May 26.	" H. S. Crocker, bill printing.....	4 50
" "	" P. O. Money Order, <i>Spectator</i> .....	1 90
July 28.	" H. S. Crocker.....	2 00
Sept. 15.	" D. Hicks & Co., binding books.....	6 00
Nov. 13.	" H. S. Crocker & Co., printing.....	2 00
Feb. 9, 1880.	" " " " .....	7 50
	Balance.....	180 93
		\$264 83

Cash in Bank.....	\$87 03
“ on hand.....	93 90
	<hr/>
	\$180 93

J. W. STAPLES, Treasurer.

E. & O. E.

After which, Mr. Geo. W. Spencer read the following report, as Chairman of the Committee on Local Agents:

## ADDRESS.

*Mr. President and Gentlemen of the Underwriters' Association of the Pacific:*

The leading fire insurance companies throughout the world, with few, if any exceptions, have attained their strength and reputation from the adoption of the agency system.

It is true that in many large cities there are companies transacting purely a local business, whose policies to-day are accepted without hesitation, as affording protection in the event of fire losses. They are managed conservatively, with care and economy; and the result of such management has been gratifying to stockholders and swelled their assets to respectable proportions.

But the arguments against the purely local system of fire underwriting are so sound and numerous, and within the past decade, such convincing proofs have been furnished the public of its weakness and dangers, that between it and the one of general agencies, there can be but one opinion in the minds of those who have given the subject thoughtful consideration. Admitting, then, that the establishment of a general system of agencies is not only advisable, but necessary to the permanent success of any company; and, as most of the members of this association are connected with offices transacting a business of this character, the subject of local agents is of such importance that it cannot fail to enlist your attention.

You have had this question most ably treated by the committees that have reported at our past annual meetings. The report submitted last year fairly bristled with facts and suggestions of the greatest value; and your present committee has no hope of furnishing a paper that will stand the test of comparison with it. But the subject of local agents is a broad one. It can be made to embrace almost every phase of the insurance question, and we therefore avail ourselves of this opportunity to respectfully direct your attention to such points as have come within our observation and experience, and seek your aid in endeavoring to check the abuses that have grown up in the profession, to the advancement of which this Association is pledged.

Local agents are among, if not the most important adjuncts of an insurance company. Through them we derive our business or resources; and, as upon the quality and quantity of such resources our success is determined, the question of appointing, instructing, and *protecting* agents is one that comes home to us all.

In the not distant past, when the requirements of those desiring insurance

were nearly as great and not so amply supplied as at the present time; when the comparatively few companies represented in the "Pacific Department" reaped their harvest of premiums and losses by their own sweet selves; when, in fact, there were enough agents to go round and it was not necessary to divide one into sixteenths and thirty-seconds to obtain a representative, it was customary for a special to appoint an agent, whose services were retained solely for his company, and such appointments were "respected accordingly by his brother specials." Good men for agents were then available; not that they were more plentiful than now, but the demand was not so great.

Throughout the interior towns, the modest tin signs simply reminded the passer-by that insurance could be had within. To-day, buildings and fences are decorated with advertisements of the agency in brilliantly colored pictures, and distorted letters, announcing that the agents are in force and the companies prepared for war.

This increased competition and demand for business could have but one result. The supply of eligible men for agents became exhausted, and, therefore, as one developed a fitness for the position and made it a success, it was natural that he should be tendered the agency of other companies. Instead of representing but one, he became the agent of two or more companies, and so on, until his list was full, or the side of his building could hold no more chromos.

Such of us as have been and are engaged in field work, know the difficulty encountered in selecting an agent, in any of the desirable cities and towns in this department. But such difficulty may be overcome, if we but devote sufficient time to the purpose, and as specials are efficient and have the welfare of our company at heart.

In this matter of appointing and instructing agents, do we fully realize the importance and responsibility of our positions? Do we feel that from us are demanded results, that, unless we are devoted to our profession and alive to the requirements expected of us, will not be accomplished?

Do we give the time and attention to the necessary details of agency work, acquiring and imparting information, valuable alike to the agent, the company we represent, and ourselves? Let such questions be truly answered, and we believe, that each of us will determine, that, if progress and reform are required, they must commence with us, individually. It is not sufficient that we simply define the position of an agent, state minutely at our annual meetings what his duties are, also what they are not and why; declare, as a matter of general fact, that virtue is its own reward; receive the applause of listening friends and plume ourselves on having done our whole duty. No, gentlemen, this is not enough, we must practice as well as preach, and show by fulfillment that our advice is not pretentious, nor our demand for reform a sham.

In appointing an agent, take time to carefully make your selection, and instruct him in the duties of his position.

Were we seeking an agent for any other business—a person to represent us, attend to our interest and handle our funds, would we drop off of a freight train, at some way station, take a hasty view of the place, find some one,

perhaps, acting for others in the same line of business, and after a few general instructions, give him the appointment and depart on the next passing train? On the contrary, we would take ample time to canvass the field thoroughly, until we found the man that we required, and then instruct him minutely in his duties. The fact is, we do not take the high and lofty stand that we should in our profession. We do not fully consider the fact that we are entrusting to another the honor, the integrity, the good name of the company we hold dear; and fail to impress upon him that the position is one of trust—a calling, by which he may make an enviable reputation as well as profit.

Gentlemen Special Agents, you are not commercial travelers, selling wares. Your popularity does not depend upon a hard head for stimulants, or a free hand with expense funds. You are gentlemen, representing a dignified profession. Your association, from the very nature of things, should be sweet and clean.

At home, at your offices, in the field and in your reports, this is necessarily a recognized fact. Being so, let the agent whom you appoint be of a similar class. By slow degrees, purify the local agencies. Take no part yourself in local quarrels and jealousies between agents, and discourage them in others. Your calling is an honorable one, and it is beneath your dignity to become a partisan. Let your standard be a high one, and your appointments reflect credit alike on your judgment and associations.

Why do we place our interests in the care of one whom we regard in the light of an experiment? He will perhaps rise to the full height of our hopes, but in many instances, in small towns, almost always proves a dead failure. Why appoint men whose character or calling is such that were he not your agent, you would neither seek nor admit of his acquaintance. Find a reputable person, whose name is a guarantee that his acts will cause you no shame. If you can interest him in the work, appoint him. A good man makes a good agent; an intelligent man, an intelligent agent; a superior man, a superior agent; and, per contra, a weak, cunning, dishonest or confidence man, a correspondingly undesirable agent.

Traits of character in men govern their acts as agents. Each after his own kind has already, in the community where he resides, produced effects. It is therefore a study of character for the specials, a study from nature. Beware of the stranger applicant for position of local agents. He is generally a soldier of fortune.

In the matter of the instruction of agents, the question affects the extent of our information and the ability to impart it to another. An agent is a man like other men. For the purpose of insurance, he is what we make him. Presuming, at the start, that the tutor knows more of the subject of his lesson than the pupil, the latter will reflect and reproduce the instructions of the former. Perhaps the pupil, having the stronger mind and larger capacity, will eclipse and leave behind his teacher, in time becoming himself a teacher. How important, then, that the original training should be sound and reliable. Lessons once learned, whether good or bad, are not readily forgotten; and the agent, instructed in a careless or faulty school, will certainly inculcate in others the errors that have been taught him.

We fail of our duty in regarding the agent simply as a solicitor, whose advice or opinion is not questioned or called for. It is not enough to put him in the way of forwarding applications which take their usual course and are accepted or rejected at head-quarters. He should be taught his responsibility, and by visits, conversation and correspondence, made to know more of the business, and interested in it. Is there a company that has not suffered from the acts of an ignorant or careless agent?

Who of us has not been asked the question by agents, representing some of our leading companies, whether the value of property saved from a fire, notwithstanding the amount of loss, was not always deducted from the face of the policy? The inability of an agent to answer correctly such a question from the assured, has doubtless caused many of our companies an increased measure of loss. A large number of agents that we have met with are literally without instructions of any kind. The companies appointing them have simply furnished a commission of authority and book of rates. With these the agent is considered to be fully armed and equipped, and expected to transact a business that requires a knowledge of many details, and calls for both discretion and ability. We know of a case where nine-tenths of an agent's income is derived from insurance commissions. The tenth part is afforded by a business which he nurses with care and attention, while the more important and larger industry is shamefully mismanaged. He is not to be censured as much as the specials who appointed him and failed to interest him in the importance of his work.

We are not only brought in contact with ignorance, but have to combat bad practice and wrong ideas taught by those in authority. Our opinion was asked, under what head the bottles of a drug store should be insured? Upon replying under the head of furniture, it was met with derision and scorn and a letter from a manager (?) produced, stating that "Bottles of a drug store are always included under the head of stock, and never appear under that of furniture or fixtures." But we have dwelt too long, perhaps, on this part of our subject; for your experience, whatever your position in the business, must have convinced you that much is lacking in the proper instructions given to agents. Managers and specials have neglected a plain duty, and we trust increased efforts will be made in the direction of improvement. In conclusion, your committee would particularly direct your attention to the protection of agents from bribery and the advances made them in the interest of another company. We all know what this means, for there is hardly a company represented at this meeting that has not some grievance of this nature to complain of. The payment of increased commission, for the purpose of obtaining a larger share of an agent's business, is an evil that is spreading, and threatens more permanent injury to the insurance business on this coast than any that has come under our observation. It is more injurious in its effects than would be the suspension of rates and a general scramble for business, for that would run its course and be re-adjusted.

Gentlemen, the advantage derived by your company from such arrangements, is of short duration. Retaliation has already commenced, on the part of those who have suffered from this species of robbery; and self-preservation,

the first law of nature, will soon bring so many on the same plane with yourselves as to deprive you of your monopoly of this business.

What will you do? Take a new departure and raise the price? Some have done so already, and we know of rates of commissions being paid that net the agents more profit than the company can hope to get from the business.

Increased commissions enable an agent to divide with the assured, thus adding another demoralizing feature to the business, and educating a new class of claimants whose demands you must meet in the future. We fully realize the danger and demoralization coming upon us, and yet do nothing to check it. This Association is in a better position to take up this question and reform the abuse than any other organization. You make the appointments of and contracts with agents. In your hands, as specials, the matter of commission is left, and your reports are accepted and indorsed by the companies you represent.

Will you take the matter in hand and throttle it now, while it is in your power, or will you see the evil spread until it is too great to reform and impossible to regain your present position. We should be glad to see the power of this Association for good developed and strengthened. It needs but concerted action to bring about such a result.

Applause.

On motion, ordered received and placed on file.

The report of the Committee on Forms of Policies being then in order, it was called for by the President, and read by Mr. Potter of that committee, as follows:

## E. E. POTTER'S ADDRESS ON FORMS AND POLICIES.

*Mr. President and Members of the Association:*

As Chairman of the Committee on Forms of Policies, I must confess that I am a victim of the retaliatory system and take my medicine like a little man. I did not suppose that because the chairman of this committee last year had to make a minority report, that I would have to do likewise this year. Only yesterday did I learn of the fact. To say that I have given the matter no thought previous to that time would be only uttering the truth. My only hope now is that the short-hand reporter will kindly pass me by.

In the first place, touching the written portion of the policy, I do not profess to be able to make any suggestions of improvement to most of you, who are older and probably abler underwriters than I, but for the benefit of those present who may not have given this matter so much attention, I will give a few hints.

We all have to admit, in writing a policy, the first and most important thing to do is to divide the face of the policy in specific amounts as far as practicable. I have, however, noticed that many of our oldest underwriters

have grown cold in the business and have adopted the "Blanket," and in many cases when I think it has been unnecessary.

Probably the most glaring of these is writing on household furniture and family wearing apparel.

I have never found but a very few exceptions when the assured objected to having the two items segregated. We know how easy it is for dishonest parties to exhaust the face of the policy on two or three silk dresses, when the furniture has been saved. We can all probably quote instances of this kind.

I notice a habit of leaving out the pronoun and commencing the policy, for instance, \$1,000 on household furniture, or on building, instead of using the words his, her or their, and while the printed condition provides that the ownership shall be sole and unconditional, the written portion takes precedence, and often leads to disagreement between even the oldest adjuster and the assured.

Another word that has seemed superfluous is the word "unmanufactured;" a boot or shoe unmanufactured might mean a calf before it is killed. I would make another suggestion, although some of us have probably already adopted it. (I have it in the printed conditions of my policy.) It is to insert after the description of the property the word "while," making the policy read (for instance) on his horses and buggies while contained in his two-story frame barn, as it has been held that companies are liable for loss on such property wherever it may be, that the words "contained in" were used merely to show that those were the horses, etc., to be insured.

I have found many times among my country agents a wrong interpretation of the word "concurrent." In giving permission for other insurance they have seemed to think that for policies to be concurrent, they should all be written for the same amounts and cover the same property, whereas they can all cover different items and still be concurrent as to the adjustment in case of loss, provided one policy does not insure two items under one amount, while another policy has a specific amount on each of those two items.

I have often received from them farm applications worded as follows: \$1,000 on his frame dwelling house, situation detached; \$500 on his frame barn, situation detached—without any diagram accompanying the application. Upon inquiry I have found that the applicant had two or three barns, and that they were not all insured, hence should one of them burn he could claim that that was the barn that was insured.

Again, I think the words dwelling house is preferable to the word dwelling, in writing on buildings, as the former means a building occupied for no other purpose, while the latter may mean the building wherever the party dwells, and some hold that it includes the contents.

In view of the fact that the duties of the Committee on Forms of Policies is rather indefinite, I have taken the liberty of asking your indulgence for a few moments, and beg to offer for consideration a form of the printed conditions of a policy which I have framed within the last twenty-four hours. I have endeavored to make it much shorter than the ordinary forms, and at the same time group the similar subjects together and make it simpler to the assured, and while it may contain some things not in other forms, I think it embraces no condition but that which is exacted by all adjusters.

The form is as follows:

**CONDITIONS UPON WHICH THIS POLICY IS ISSUED.**—The assured covenants that every fact and circumstance affecting the risk, hazard, or rate of premium adversely to this Company, has been disclosed, and fully made known to this Company by the assured, whether inquiry thereof has been made in the application, or otherwise, or not; that none of the property has been overvalued, and also, that the application, plan, survey and description made for this insurance in writing, or otherwise, or referred to in this Policy, shall be and form a part of this Policy (the same as though incorporated herein in full), and a warranty by the assured; and also, that this Company shall not be bound by any act or statement made to, or by any agent or other person, which is not contained in the written application or endorsed on this Policy. Should this be a renewal of a former Policy, it shall be considered as continued under the original contract; but in case there shall have been any change in the risk, either within itself, or otherwise, not made known to this Company in writing by the assured at the time of renewal, this policy shall be void.

**AGENT OF ASSURED.**—It is part of this contract that any person other than the assured, who may have procured this insurance to be taken by this company, shall be deemed to be the agent of the assured named in this Policy, and not of this Company under any circumstances whatever, or in any transaction relating to this insurance, unless he or they are salaried employees, or hold a certificate of appointment, signed by the officers, or General Agent of this Company.

**CANCELLATION.**—The insurance shall be terminated at the request of the assured, in which case this Company shall retain only the customary short rates for the time the Policy has been in force. The insurance shall also be terminated at any time at the option of this Company, on giving notice to that effect, in which case this Company shall refund a ratable proportion of the premium for the unexpired term of the Policy.

**ASSIGNMENT AND MORTGAGE.**—No assignment of this Policy shall be valid, unless notice thereof be immediately given to this Company, and said assignment be approved in writing by a duly commissioned agent, prior to any loss. This Company reserves the right to approve the transfer or not.

**DESCRIPTION OF PROPERTY NOT COVERED BY THIS POLICY, EXCEPT WHEN SPECIFICALLY MENTIONED.**—This insurance does not apply to, or cover money, bullion, notes, accounts, deeds, evidences of debt or securities of property of any kind, jewels, plates, watches, musical or scientific instruments, models, patterns, medals or curiosities, opium, fences, privies, outbuildings, store furniture and fixtures, wooden or cloth awnings, wooden roofs over fireproof roofs, sidewalks, foundations or excavations, plate-glass doors and windows (when the plates are of the dimensions of nine square feet or more), frescoed work or gilding on walls or ceilings, merchandise in show windows.

**CONDITIONS VOIDING THIS POLICY.**—If the interest of the assured in the property herein insured, or the ground upon which it stands, now is or shall become any other less than the entire unconditional undisputed, sole and legal title and ownership; or if the property herein insured stands upon

leased ground; or if it now is or shall become during the term of this Policy anyways encumbered by lien, mortgage, judgment or otherwise; or if the property or any portion thereof shall be sold; or proceedings to foreclose any mortgage or lien be commenced; or if any portion of the property shall be levied upon, or any change take place in the title, use, occupation or possession, whether by legal process, judicial decree, voluntary act or otherwise; or if the above described building or buildings or either of them now are, or shall become vacant or unoccupied; or if the risk be increased by any means whatever; or if it be a manufacturing establishment running at night or shall be ceased to be operated; or if the assured now has or shall hereafter make any other insurance on the property herein specified or any portion thereof, whether valid or not; then in every such case shall each and every one of the above named facts be made known to this Company, and consent thereto endorsed in writing in the body of the Policy, otherwise the Policy shall be null and void.

THIS COMPANY SHALL NOT BE LIABLE if the assured shall keep gunpowder, nitro-glycerine, phosphorus, saltpetre, nitrate of soda, petroleum, kerosene, (except as hereinafter provided), naphtha, gasoline, benzine, benzole or benzine varnish, or keep or use camphene, spirit gas or any burning fluid, or chemical oils, without the written permission in this Policy, or if gas, or any substance for a burning gas shall be generated or evaporated within the buildings or contiguous thereto, then, and in every such case, this Policy shall cease and be void; or if the above mentioned premises, or any part thereof, shall be used for, or to carry on, any unlawful traffic, trade or business.

OR FOR LOSS if caused by forest fires, an invasion, insurrection, riot, civil commotion, or military or usurped power; or in consequence of any neglect or deviation from any law, or municipal, fire, or police regulation; or for any loss caused by the explosion of gunpowder, camphene, or any explosive substance, or explosions of any kind, unless fire ensues, and then for the loss or damage by fire only, which loss shall be determined by the value of the damaged property after the casualty by explosion.

If a building or any part thereof shall fall, except as the result of a fire, all insurance by this Company on it, or its contents, shall immediately cease and determine.

PRIVILEGES.—Kerosene oil may be used for lights in stores and dwellings, and kept for sale in stores, in quantities not exceeding 200 gallons—to be drawn by daylight and covered lights only, and gunpowder, not exceeding 50 pounds, may be kept for sale in stores, without prejudice to this insurance.

Mechanics will be allowed to make ordinary repairs to buildings not exceeding fifteen consecutive days in one year. Any other altering or repairing of any building, or any work thereon, by mechanics or others, will terminate the insurance and cancel this policy unless written consent thereof be first obtained and indorsed on this Policy.

WAIVER.—THE USE OF GENERAL TERMS, or anything less than a distinct, specific agreement, clearly expressed in writing, and endorsed on, or attached to this Policy shall not be construed as a waiver of any printed or written condition or restriction herein.

**RE-INSURANCE.**—In case of loss, to be settled in proportion as the sum re-insured shall bear to the whole sum covered by the re-insured Company.

**OTHER INSURANCE.**—IN CASE OF ANY OTHER INSURANCE upon the property herein described, whether made prior, concurrent, or subsequent to the date of this Policy (whether valid or invalid, or whether upon the same insurable interest or not), the assured shall be entitled to recover of this Company no greater proportion of the loss sustained than the sum hereby insured bears to the whole amount insured thereon, whether such insurance be by specific, or by general or FLOATING policies; and if any such other policy contain an average or co-insurance clause, or condition, this Company's liability herein shall be limited thereby, the same and to the same extent as though such clause or condition was contained herein.

**LOSS PROCEDURE.**—Persons sustaining loss or damage by fire shall forthwith give notice in writing of said loss to this Company, accompanied with a copy of the written portion of all the policies therefor.

When personal property is damaged the assured shall forthwith cause it to be put in order, assorting and arranging the various articles according to their kinds, separating the damaged from the undamaged, and shall cause an inventory of the whole thereof, including property claimed to be destroyed, to be made and furnished to this Company, naming the quantity, quality, and cost of each article. This Company shall have the right to take the whole or any part of the articles at their appraised value.

The assured, his, her and their agents and servants shall, whenever required, submit to an examination or examinations under oath by any person appointed by this Company, and subscribe to such examinations when reduced to writing, and shall also produce their books of account and other vouchers, and exhibit the same for examination at the office of this Company, in San Francisco, as often as required, and permit extracts and copies thereof to be made; the assured also shall produce certified copies of all bills and invoices, the originals of which have been lost, and shall exhibit all that remains of the said property, damaged or not damaged, for examination to any person or persons named by this Company, and shall also produce a certificate under the hand and seal of the Chief of the Fire Department or his Assistant, if said property is situated within the jurisdiction of any such officer, stating that he has examined the circumstances attending the loss, and verily believes that the assured has, without fraud, sustained loss on the property insured to the amount which such Chief or Assistant, shall certify. The proofs of loss shall be made by the party insured.

Any fraud, or attempt at fraud, or any misrepresentation in the proofs of loss, or examination, or any false swearing, shall cause a forfeiture of all claim on this Company under this Policy.

**REPAIRING OR REPLACING.**—This Company reserves the right to repair or replace any property destroyed or damaged, either before or after appraisal, and as a part of the preliminary proofs of loss, the assured shall, if required, furnish plans and specifications of the buildings destroyed, and where the cost of rebuilding or repairing the same as determined by appraisal exceeds the sum insured thereon, the insured shall pay to this Company any excess

of said cost of rebuilding, replacing or repairing, including depreciation over the amount insured thereon by this Company; and, if required, give security for the payment thereof, and assign all their rights to recover of any other Companies, person, or corporation, with power of attorney to sue for and recover the same at the expense of this Company; and the insured shall permit this company to take possession of the premises for the purpose of making said repairs, or for rebuilding the property burned; provided this Company elects so to do.

**LOSS LIABILITY.**—No claim for loss shall be considered total on any building partially destroyed by fire and insured under this Policy by reason of law or ordinance that prevents its being repaired or rebuilt, but such loss shall be estimated and paid the same as if no such law or ordinance existed.

This Company shall not be liable for loss by theft at or after a fire, nor for loss on property only while contained in the premises last described in writing in the body of this Policy; and where property insured by this Company is DAMAGED BY REMOVAL from a building in which it is exposed to loss by fire, said damages shall be borne by the insured and the insurers, in such proportion as the whole sum insured bears to the whole value of the property insured.

In case of loss on property held in trust or on commission, or if the interest of the assured be other than the entire and whole ownership, the names of the respective owners shall be set forth, together with their respective interests therein.

And if insured as a mortgagee, or on other interest not absolute, he or they shall assign to this Company the mortgages upon the premises insured, or other instrument of title or security, together with the debt or payment secured thereby, or so much thereof as will be sufficient to pay said loss. And a refusal to execute this assignment shall discharge this Company from all liability under this agreement.

**THE BEST ENDEAVORS OF THE ASSURED** shall be used in saving and protecting the property from damage when exposed to, at, and after the fire; and in case of failure to do so, this company will not be liable on this policy; and there can be no abandonment to this company of the property.

**DISAGREEMENT.**—In case differences shall arise as to the amount of any loss or damage, whether before or after proof thereof has been received in due form, or after the property has been replaced or repaired, the matter shall, at the written request of this company, be submitted to two impartial appraisers, one to be selected by each party, and the two so chosen shall first select an umpire to act with them in case of their disagreement, and if said appraisers fail to agree these shall refer the difference to such umpire, and the award of any two, in writing, shall be binding on the parties as to the amount of such loss or damage, and the acceptance of the property replaced or repaired, but shall not decide the liability of this company under this policy.

**IT IS MUTUALLY AGREED THAT NO SUIT OR ACTION** for the recovery of any claim by virtue of this policy shall be sustainable in any court of law or chancery, unless such suit or action shall be commenced within twelve months next after loss shall occur; and should any suit or action be commenced against

this company after the expiration of the aforesaid twelve months, the lapse of time shall be taken and deemed as conclusive evidence against the validity of such claim.

Perhaps it would be well to point to a few of the more important changes and give you my reasons for making them.

*First*—Conditions upon which this policy is issued. This differs very little from the ordinary form, except that the company shuts out verbal understandings, and is not bound by any statement except it is indorsed in writing on the policy. It also provides that the renewal of a policy is continued under the original application, and makes it obligatory for the assured to notify the company in writing of any changes.

#### AGENTS OF ASSURED.

This clause provides that any person procuring the insurance is the agent of the assured, unless he be a salaried employé, or has a certificate of appointment signed by the company or its general agent.

#### ASSIGNMENT AND MORTGAGEE.

Provides that all assignments shall be approved by a duly commissioned agent.

#### DESCRIPTION OF PROPERTY NOT COVERED BY THIS POLICY.

This leaves out a number of articles and includes wooden and cloth awnings, wooden roofs over fire-proof roofs, sidewalks, foundations or excavations. Wooden roof over fire-proof roof is an item peculiar to our mountain towns, used for the purpose of shedding snow, and while we understand that we do not intend to cover it, at the same rate, as it might burn off a dozen times without destroying the building proper, nevertheless the assured considers it covered, and I think could enforce the payment for the same, notwithstanding our rate on it is much higher than on the building. While it is plain that the ordinary policy does not cover sidewalks, I have often had a demand made for the payment of them. Relative to foundations and excavations (referring principally to brick foundations under cheaply constructed frame buildings). These items often amount to nearly one-half the amount of the policy, and while at the time of the adjustment the assured may claim that he will not rebuild, hence it is a total loss to him, we often find, after the assured has received his money, he changes his mind.

#### LOSS PROCEDURE.

The matter under this head is condensed about one-half, and I think covers the same ground.

#### REPAIRING OR REPLACING.

The object of this clause is to protect the company from being forced to pay a total loss on property, where the cost of rebuilding would be more than

the face of the policy, notwithstanding the location or lack of adoption might reduce its real value much below the face of the policy. To illustrate this we will suppose that it would cost \$3,000 to rebuild, and that there was but \$2,500 insurance. The assured, knowing that the real value of his building was not more than \$2,000, nevertheless says, put me up a new building. If, however, he were called upon to pay the difference between the face of the policy and the amount agreed to be the cost of the new building, including depreciation, he would reject the proposition upon the ground that the property was undesirable, hence did not want it replaced. This clause prevents dishonest persons from getting new buildings for old ones, by compelling them to advance the estimated depreciation on their building burned. We have often felt the necessity of a clause like this, to apply to buildings in our mining towns, where at the time the policy was issued the property was worth more than the face of the policy, but before the policy had expired, the town had gone down, the property in consequence had depreciated in value until it was not worth more than two-thirds the face of the policy. I am unable to see wherein this clause works any hardship to the assured.

#### LOSS LIABILITY.

Provides that no building partially destroyed by fire shall be considered total by reason of any law or ordinance preventing the rebuilding of same.

Also, provides that property cannot be removed from one place to another and the company still be liable, without their written consent.

#### DISAGREEMENT.

Provides that the third appraiser must be chosen before the appraisal. It often happens that in case of disagreement between the two appraisers, they fail to agree on the third man. It also provides that in case the rebuilding or replacing has been performed by the company, that the acceptance of same is left to the same appraiser, thus preventing any feeling between the assured and the company.

I do not offer the above as a perfected form, but invite free criticism. That there is need of a shorter form than those ordinarily used, that will cover the ground and be simple and more satisfactory to the assured, there can be no doubt.

On motion, ordered received and placed on file.

Mr. Sexton then read the following apology for the Committee on Losses and Adjustments. During its delivery he was greeted many times by applause. His humorous remarks were acknowledged in bursts of laughter.

## WM. SEXTON'S APOLOGY FOR THE COMMITTEE ON ADJUSTMENTS.

*To the Fire Underwriters' Association of the Pacific:*

GENTLEMEN: Your Committee on Adjustments beg leave to say, that the Chairman, on whom we depended to make a report, and which report we still have hopes of getting, is unavoidably absent. The next member of the Committee from whom we had reasons to expect something, has recently accepted the position of Secretary and retired from the grip-sack salvage hunting trade; thus, unfortunately for you, leaving as a last resort and with but little time, the tail end of the Committee, to offer a sort of an apology for the head and body.

From time immemorial it has been the custom in making a report on this branch of fire underwriting, to state that "adjusters are born, not made;" we therefore repeat in accordance with this custom that "adjusters are born, not made," but with this reservation, that if the observations of your Committee are correct, few have been born, and none made during the last generation or two. In making this remark we refer not to the real, but to the ideal adjuster, who is supposed to know from the appearance of a pile of ashes the size and construction of the building destroyed, to figure the projection of the cornice from the impression of the mudsill in the ground; to estimate the true cash value of a stock of merchandise totally destroyed, by the clothes worn by the claimant; to guess at the value of an outfit of household furniture, with no better data for a basis than the record of the rainfall for the previous season; to construe legally all the various phrases in describing risks, in policy writing; to decide, on a moment's reflection, questions which supreme courts take years to ponder over; to conclude whether a loss on ornaments should be paid for under a policy covering household furniture, useful and ornamental; whether a loss on trunks, valises, and (or) handboxes should be paid for under a policy on household furniture, or wearing apparel, or either; whether a policy on wearing apparel covers umbrellas, fans, parasols, hair-switches, pins, hair-pins, shawl-pins, ——— pins, breast-pins, ribbons, laces, combs, thread, clothing in process of manufacture, or store teeth, or either. Whether thimbles, needles, sewing machines, and washing machines, are covered under household furniture. Whether a policy covering on pictures, covers a picture frame from which a picture had been removed. Whether a policy on a two-story dwelling house covers the one-story kitchen addition, and one-story woodshed adjoining, or additions made subsequent to issuing the policy. He is supposed to have a practical knowledge of all kinds of business; from regulating a sewing machine to running a quartz mill; from the value of a pint of peanuts to the cost of an invoice of hardware; he is supposed to know the best rule for apportioning non-current policies; the rule that will do equal and exact justice to all, that he may not by any mistake of his, cause his co-insurers to pay more than their share of the loss. He is supposed to be able to draw unbiased testimony from a biased and unwilling witness, from which to fix an actual cash market value at time of the fire, on

goods that his company did not want to buy, and the claimant, if his word could be relied on, would not sell for double the amount of the insurance.

He is expected to make a settlement on one-sided evidence that will do justice to his company, and at the same time satisfy the assured and all the citizens of the neighborhood of the fire, Chinese included; they, all of them, taking an interest in favor of the assured getting the full amount of "*the policy he had paid for!*" The sum of the actual loss being to them a secondary consideration, as they only know that they are justified in robbing a corporation—if they can.

What the adjuster is expected or supposed to be, is very different from what he is really, or what he has to try to be. He must try to fix up the loss so that the assured and his neighbors, the agent and his friends, and last, if not least, that the management of the company shall all be satisfied; that his company may not get a black eye, his agent get to bucking, or get his own walking ticket when he gets home. Rather than hazard a lawsuit he must in nearly all cases of partial loss, and not a few of total, pay considerably more than he should. This is because insurance cannot afford to display the same amount of pluck in fighting for right that other business can.

He must try to be a good judge of human nature; to be prompt, and yet courteous; to be firm without giving offense; to be able to detect the difference between the honest claimant and the dishonest one who burned out to swindle the insurance company, and to treat the latter as affably as the former; he has to appear brave, for his sand is often tested; has to have a large stock of forbearance on hand, as his patience is sometimes strongly tried, often by ignorant honest claimants, who are taught to look on him as an enemy sent to cut down their claims, instead of looking upon him as a friend, sent to see that they get their just dues; he must be honest, because he carries the company's purse, and its greatest interests are entrusted to his care.

To settle a loss properly needs first, a good reliable agent, who will only insure good citizens, and will not take to exceed  $\frac{3}{4}$  ( $\frac{2}{3}$  would be better) of the actual cash value of the property; who will write his policy to cover specific amounts on each class of property; who when the loss occurs will see that the assured takes proper care of all property saved; who does not commit the company, believes it is solvent, and is not afraid that the agent over the way will corral all his risks if this particular loss is not paid before the ashes get cold; well, such a loss will about settle itself.

To conclude, your Committee would suggest that this Association appoint committees to report rules governing the apportionment of non-current policies, based on the principle that no salvage can be made at the expense of any property or item of property covered in part by any unexhausted policy. Rules should also be reported, giving the definite meaning of all the policy phrases used in describing risks.

It is in the power of this Association to educate the community to look upon an adjuster, in an honest loss, as he really is, the friend of the unfortunate, and whose only duty is to see that the assured gets what he is entitled to, and that his company is not swindled. To do this, your Committee will refer the members of this Association to W. F. Fox's Hints to Adjusters, on pages 233 and 235 in his "*Special Agents Handbook*," sold by the *Coast Review*, price \$3.00. Sec. 2, p. 233, concludes with the following:

"Mere technicalities should be avoided and substantial justice to both parties be strictly regarded." Section 23, page 235, in referring to the adjuster, concludes as follows: "The role of a shyster or scalper he should scorn, or to make what might be called a 'sharp adjustment,' merely for the sake of securing a salvage upon his policy. He should always recognize the claims of commercial probity, and allow the question of salvage to take care of itself, and be a result, not an object in the adjustment of a claim." All good, read it. [Applause.]

On motion, ordered received and placed on file.

Mr. Brown, chairman of the Committee on Legislation and Taxation, being called upon for his report, said that he expected to find a report in the hands of the Secretary of the Association. He thought that Mr. Dornin would have prepared one for him to read. As this was not the case, the time for making the report was extended until the next monthly meeting.

## THE REPORT OF THE COMMITTEE ON FIRE DEPARTMENTS AND WATER SUPPLY

was read by the Secretary *pro tem.*, as follows:

Your Committee on Fire Department and Water Supply, beg leave to submit the following report:

We can add nothing to the general fund of information concerning the apparatus needful to a well equipped fire department, as there has been but little change in the machinery required, and, so far as we have been able to gather, no new inventions in that line. We are happy to note several improvements, more especially in the line of adding to the efficiency and the general utility of the Babcock Chemical Fire Engine.

They are now of all sizes, from the small extinguisher to be carried upon the back, to those on two wheels to be run by man-power, and those on four wheels for one or two horses.

Our Fire Patrol bears witness to their efficiency and valuable aid in their work, and we should be glad to see them added to every fire department in our State.

We believe our members who are "in the field" can do no better service to their companies, and the fraternity in general, than to urge their introduction, in some form, into every town they visit, more especially in those places now without any apparatus.

We have taken pains to ascertain the status of the departments and water supply of all the towns in our particular field, and beg to submit a tabular statement attached hereto for your inspection.

Respectfully submitted,

A. P. FLINT,  
C. M. NICHOLS,  
Committee.

# Condition of Fire Departments and Water Supply of Cities and Towns of the Pacific Coast.

COLLATED BY THE COMMITTEE ON FIRE DEPARTMENTS AND WATER SUPPLY.

CITIES AND TOWNS.	Steam Fire Engines.....	Hand Fire Engines.....	Chemical Fire Engines...	Fire Extinguishers.....	Hose Companies.....	Hose, Carts or Reels.....	Bucket Companies.....	Hook and Ladder Trucks.	Feet of Carbolized Hose..	Feet of Leather Hose....	Men in Department <sup>a</sup> .....	Paid or Volunteer.....	Water Supply—Ample or Not.....	System of Water Works...	Cisterns.....	Capacity of Cisterns.....	Cisterns—How Filled.....	Hydrants.....	Pressure.....
CALIFORNIA.																			
Antioch.....	1								500		55	Vol	Poor.....	Steam Pump.....		93,000		1	40 feet.
Colton.....									200		12	Vol	Ample	Tanks.....				7	68 feet.
Chico.....	1	1							2,000		75	Vol	Ample	Steam Pump.....		2,000	Water carts.....	45	60 feet.
Eresno.....											40	Vol	Ample	Reservoir.....		40,000			
Gilroy.....									1,800		89	Vol	Ample	Creek reservoir.....		100,000	Street mains.....	7	90 feet.
Grass Valley.....									350		50	Vol	Ample	Reservoir.....				64	150 feet.
Hollister.....									1,000		60	Vol	Ample	Reservoir.....		300,000	Force pump.....	30	110 feet.
Healdsburg.....									600			Vol	Ample	Wells.....			By the Almighty.....	9	100 feet.
Ione City.....											154	Part p'd	Ample	Reservoir.....				59	
Los Angeles.....									1,000				Ample	Steam Pump.....		4,000	Street mains.....	11	40 feet.
Lakeport.....									4,000		24	Paid	Ample						
Marysville.....													Ample	Steam Pump.....					
Martinez.....													Ample	Reservoir.....					
Modesto.....											60	Vol	Ample	Steam Pump.....		43,000		1	65 feet.
Oakland.....									3,700		58	Paid	Ample	Reservoir.....				160	Good.
Oroville.....											60	Vol	Ample	Wells.....				154	
Pleasanton.....													Ample	Pipes.....					
Petaluma.....									1,700		200	Vol	Poor	Reservoir.....				15	150 feet.
Red Bluff.....									300		200	Vol	Ample	Tank and cistern.....				13	Light.
Redwood City.....									800		50	Vol	Ample	Reservoir.....		150,000	Steam Pump.....	33	40 lbs.
San Francisco.....									27,750		294	Paid	Ample	Reservoir.....		2,011,856	Street mains.....	1,278	
San Francisco.....									1,150		50	Vol	Medium*	Reservoir.....		56,000			
San Francisco.....													Poor	Cisterns & wells.....					
San Bernardino.....									5,000		32	P'd & v'l	Poor	Reservoir.....		102,000	Street mains.....	102	35 lbs.
San Jose.....									1,000		85	Vol	Ample	Steam Pump.....				11	95 feet.
San Luis Obispo.....									1,450		107	Vol	Ample	Reservoir.....		136,000	Steam pump.....	21	75 feet.
Salinas.....									500		40	Vol	Ample	Cisterns.....				30	85 lbs.
Santa Cruz.....											28	Vol	Ample	Brook.....		50,000	Surface water.....	9	150 feet.
Suisun.....									400		23	Vol	Ample					6	74 lbs.
St. Helena.....											40	Vol	Ample						
San Buenaventura.....									380				Ample						

Sacramento.....	2	1	2	3	1	7,050	800	33	Paid.....	Ample.....	Holly.....	8	133,000	Street mains.....	253	.....
Sonoma.....	1	1	2	3	1	1,400	50	Vol.....	Ample.....	Reservoir.....	Reservoir.....	15	.....	.....	15	84 feet.
Santa Rosa.....	1	3	3	3	1	2,000	95	Vol.....	Ample in season.....	Lake.....	Lake.....	3	.....	.....	3	110 feet.
San Mateo.....	1	1	12	2	3	1	16	Vol.....	Poor.....	Pipes.....	Pipes.....	8	56,000	Hydrants.....	14	36 feet.
Truckee.....	1	1	1	1	1	600	50	Vol.....	Ample.....	Steam Pump.....	Steam Pump.....	3	18,000	From tank.....	4	85 feet.
Utah.....	1	1	2	2	2	500	24	Vol.....	Ample.....	Pipes.....	Pipes.....	13	.....	.....	13	.....
Watsonville.....	1	1	2	2	2	500	24	Vol.....	Ample.....	Pipes.....	Pipes.....	13	.....	.....	13	.....
MONTANA.																
Helena.....	1	1	8	2	2	1	1,500	60	V'l & pd.....	Ample.....	Cisterns.....	9	14,000	.....	.....	.....
IDAHO.																
Boise City.....	1	1	2	2	1	1,500	500	.....	.....	.....	Cisterns & ditches.....	.....	.....	.....	.....	.....
NEVADA.																
Austin.....	1	2	2	2	2	1,600	67	Vol.....	Ample.....	Reservoir.....	Reservoir.....	3	250,000	Pipes.....	15	90 lbs.
Carson City.....	1	2	1	4	1	2,400	106	Vol.....	Ample.....	Reservoir.....	Reservoir.....	11	95,000	Street mains.....	14	260 feet.
Elko.....	1	2	2	2	2	1,500	16	Vol.....	Irreg'l'r & ineffic't.....	Ditch.....	Ditch.....	.....	.....	.....	.....	.....
Reno.....	1	1	2	2	2	1,500	14	Paid.....	Ample.....	Reservoir.....	Reservoir.....	5	14,000	Street mains.....	79	250 feet.
Virginia.....	1	1	2	5	1	6,100	150	.....	Ample.....	.....	.....	.....	.....	.....	.....	.....
OREGON.																
Astoria.....	2	1	2	3	3	1	3,200	150	Vol.....	Ample.....	River.....	.....	.....	Pipes.....	5	30 feet.
Dalles.....	1	1	1	3	1	1,000	500	Vol.....	Ample.....	Reservoir.....	Reservoir.....	6	42,000	.....	.....	.....
Lebanon.....	1	1	1	1	1	400	50	Vol.....	Ample.....	Wells.....	Wells.....	12	36,000	Street mains.....	1	35 feet.
Olympia.....	1	1	1	1	1	10,000	100	Vol.....	Poor.....	.....	.....	59	6,000,000	Steam Pump.....	16	Good.
Portland.....	6	1	5	8	1	.....	389	Vol.....	Ample.....	Reservoir.....	Reservoir.....	.....	.....	.....	.....	.....
WASHINGTON TERRITORY.																
New Tacoma.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
UTAH TERRITORY.																
Ogden.....	1	1	1	1	1	950	140	P'd & v'l.....	Ample.....	Mountain stream.....	Mountain stream.....	7	100,000	Running stream.....	100	70 lbs.
Salt Lake City.....	1	2	3	3	1	2,000	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

\* Ample in winter, short in summer.

† And C. P. R. R. Co. steam fire engine.

‡ For business streets.

|| Water supply ample in summer.

¶ From mines and springs.

§ Also a stationary fire engine.

\*\* A Hook and Ladder Company is being organized.

†† Cotton.

Next in order was the report of the Committee on Statistics, which was read by Mr. E. W. Carpenter.

## ADDRESS ON STATISTICS.

*To the Fire Underwriters' Association of the Pacific:*

GENTLEMEN:—The committee of last year, with an old deputy commissioner at its head, gave such a complete statistical history of the insurance business in California, that there is little left for us but to write an appendix thereto.

To the tabular statement of our predecessors, which we incorporate in this report, we have added a single line showing that 7 locals, 64 Eastern, and 28 foreign companies, making 99 in all (or 8 more than in the former year), now compete for business at an average rate a trifle higher than that of 1878, but which yields the less aggregate premium of \$3,433,004, as against \$3,539,522 of the previous year, from the fact that the amount written is about ten millions less, viz: \$228,964,659, as against \$238,639,041.

It would hardly be satisfactory to be unable to show a gain *somewhere*, and the *losses*, which show an increase of over one-fifth, come to our assistance. During the year the underwriters have comforted the mourners over the ashes of 1,110,344 departed dollars, this sum representing the fire loss of 1879\*, as against \$921,224 of 1878, the ratio of loss to premium having increased from 26 per cent. to 32 per cent. The average amount of premiums received by each company has been \$34,475, and the average loss to each \$11,215.

We have included in our tabular statement a column showing the average rate of premium during the last nine years. In 1871 this average rate was 1.08, and in 1872, 1.19. The combined heat of the Chicago and Boston fires was required to warm up rates to 1.58 in 1873, and in 1874 they attained their highest point, viz., 1.59. Since then they have steadily declined, until last year, showing 1.58 in 1875, 1.57 in 1876, 1.53 in 1877, and 1.48 in 1878. Last year a greater number of companies were governed by the Board Tariff, and rates advanced to 1.50. But this increased rate for 1879 has not been a source of unalloyed happiness to the underwriters, inasmuch as the losses show a *ratio* of increase fourteen times as great.

An examination of the table shows that there are more than four times as many companies doing business here as nine years ago, and that the average premium receipts of each are less than half what they were at that time.

In addition to the tabular statement of California business thus far referred to, we also submit herewith a comparative table of city and country (San Francisco and State) business for the past five years, and which is, we believe, the first compilation of the kind that has been made. We are indebted to the Fire Patrol Reports for city premiums, and to Fire Marshal Durkee for city losses.

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\* One of the foreign companies included its losses for the entire coast in its statement to the Insurance Commissioner, hence the report of the latter shows \$1,116,203 losses, but above figures are correct.

Comparative Table of City and Country (San Francisco and State) Business.

AMOUNT OF FIRE INSURANCE PREMIUMS FOR 1875, 1876, 1877, 1878 AND 1879, AND PER CENT. OF SAME RECEIVED BY EACH CLASS OF COMPANIES.

COMPANIES.	PREMIUMS, 1875.				PREMIUMS, 1876.				PREMIUMS, 1877.				PREMIUMS, 1878.				PREMIUMS, 1879.			
	State.	City.	Total.	Per cent.	State.	City.	Total.	Per cent.	State.	City.	Total.	Per cent.	State.	City.	Total.	Per cent.	State.	City.	Total.	Per cent.
	\$721,571 40	\$516,655 31	\$1,238,226 56	31	\$670,104 35	\$509,687 28	\$1,179,791 32	32	\$684,005 33	\$476,321 26	\$1,160,326 30	30	\$491,361 28	\$404,547 23	\$895,908 25	25	\$467,125 27	\$341,879 20	\$809,004 24	24
California	366,478 20	417,031 25	783,509 22	23	430,527 23	462,885 25	893,412 24	24	476,057 23	452,928 24	928,985 23	23	453,949 25	421,382 24	875,331 25	25	514,928 30	442,062 26	956,990 28	28
Eastern	731,681 40	739,965 44	1,471,646 42	42	791,163 42	847,252 47	1,638,415 44	44	906,021 44	938,588 50	1,844,609 47	47	832,234 47	936,048 53	1,768,282 50	50	761,285 43	905,725 54	1,667,010 48	48
Foreign																				
All Cos...	\$1,819,730	\$1,673,651	\$3,493,381	31	\$1,891,794	\$1,819,824	\$3,711,618	32	\$2,066,083	\$1,867,837	\$3,933,920	31	\$1,777,544	\$1,761,977	\$3,539,521	29	\$1,743,338	\$1,689,666	\$3,433,004	30

LOSSES AND PERCENTAGE OF SAME TO TOTAL PREMIUMS AS ABOVE GIVEN.

COMPANIES.	LOSSES, 1875.				LOSSES, 1876.				LOSSES, 1877.				LOSSES, 1878.				LOSSES, 1879.			
	State.	City.	Total.	Per cent.	State.	City.	Total.	Per cent.	State.	City.	Total.	Per cent.	State.	City.	Total.	Per cent.	State.	City.	Total.	Per cent.
	\$571,823 31	\$416,143 25	\$987,966 28	28	\$514,366 27	\$755,031 41	\$1,269,397 34	34	\$715,577 35	\$504,323 27	\$1,219,900 31	31	\$698,787 39	\$222,437 13	\$921,224 26	26	\$932,394 53	\$177,950 11	\$1,110,344 32	32
All Cos...																				

PERCENTAGE OF PREVIOUS YEAR'S BUSINESS LOST OR GAINED BY EACH CLASS OF COMPANIES.

COMPANIES.	1875.			1876.			1877.			1878.			1879.		
	State.	City.	Total.	State.	City.	Total.	State.	City.	Total.	State.	City.	Total.	State.	City.	Total.
	No data.	No data.	+12	-07	-01	-05	+02	-06	-02	-28	-15	-23	-05	-15	-10
California	"	"	+02½	+04	+11	+14	+10½	-02	+04	-05	-07	-06	+13	+05	+09*
Eastern	"	"	+16	+08	+14½	+11	+14½	+11	+13	-08	-03	-04	-09	-03	-06
Foreign	"	"	+11	+04	+09	+06	+09	+02½	+06	-14	-06	-10	-02	-04	-03
All Companies															

The exceptional gain made by Eastern Companies in 1879 is, to some extent, accounted for by the fact that their number increased during that year from 55 to 64, while the Local Companies decreased from 8 to 7, Foreign Companies remaining the same.

# Fire Insurance Business in California during Nine Years, 1871 to 1879, inclusive.

TABLE SHOWING RISKS WRITTEN, PREMIUMS, LOSSES, AVERAGES, &amp;c.

YEAR.	NUMBER OF COMPANIES.				RISKS WRITTEN.	AVERAGE RATE.	FIRE PREM'MS.	AVERAGE PRE-MIUMS.	FIRE LOSSES.	AVERAGE LOSS.	PER CENT. LOSS TO PRE-MIUMS.
	California.	Eastern...	Foreign...	Total.....							
1871....	5	11	8	24	\$185,218,963	1.08	\$1,994,522*	\$83,105	\$1,201,612†	\$50,066	*60
1872....	6	22	10	38	200,178,417	1.19	2,388,543	62,826	667,704	17,571	28
1873....	7	34	11	52	184,545,576	1.58	2,926,632	56,281	777,718	14,956	26½
1874....	7	48	13	68	197,432,160	1.59	3,139,679	46,171	783,303	11,519	25
1875....	7	50	17	74	221,653,672	1.58	3,493,381	47,207	987,966	13,350	28
1876....	7	57	22	86	237,013,037	1.57	3,711,618	43,158	1,269,397	14,760	34
1877....	7	56	26	89	256,893,278	1.53	3,933,920	44,201	1,219,900	13,706	31
1878....	8	55	28	91	238,639,041	1.48	3,539,522	38,896	921,224	10,123	26
1879....	7	64	28	99	228,964,659	1.50	3,433,004	34,475	1,110,344	11,215	32

\* Last year's report gave Premiums on Risks in Force, instead of on Risks Written, hence the variation in these figures.

† Not including \$286,508 paid by the Pacific and Occidental for losses of the previous year.

This table, while it shows such an unsatisfactory state of the business, will afford consolation to many of our friends by enabling them to see that they are no worse off than their neighbors of the same class, and that if their receipts are falling off it does not follow, as a necessity, that their risks are "stolen" by a rival company.

Looking to the two extremes of the table of premiums, we find that, while the California companies did 36 per cent. of the entire business in 1875, they now do only 24 per cent.; that Eastern companies have run their proportion up from 22 per cent. to 28 per cent., and that foreign companies have increased from 42 to 48 per cent.

Referring to that portion of our table exhibiting city and country losses, and the percentage which they bear to the premium receipts of the two classes of business, we find that city business makes the best showing, and that the year 1876 is the only one in which city losses were relatively the largest. While the average percentage of country losses to premiums for the five years is 37, the average of city losses is only 23½, or less than two-thirds that of the other. If we consider the greater expense attendant upon the acquisition, supervision and adjustment of country business, and note the fact that country losses last year jumped up to 53 per cent. of the premiums, a proportion nearly two-thirds larger than the average of the four preceding years, we may begin to inquire whether country business is worth having at present rates, and whether future compilers of tariffs should confine their

mathematics so exclusively to subtraction and division while making their re-adjustments. However unsatisfactory country business may, for the present be, we will not pray too ardently for that promised city fire which is relied on to vindicate the law of average.

The good fortune attending the city business is well deserved, for very much of it is due to the judicious efforts of the underwriters themselves in the maintenance of their fire patrol system.

That portion of our table which shows the percentage of its previous year's business lost or gained annually by each class of companies, shows very clearly the motion of business. For the five years the California companies have made an average loss on their business of 6 per cent. per year, while the Eastern companies have gained an average of 5 per cent. annually, and the foreign companies 6 per cent. If, however, we look only to the last two years, we find that the total business shows an average loss of over 6 per cent. per annum.

¶ If we compare the premiums and losses of the last *two* years, we find that while the total business of 1878 fell off 10 per cent., the losses considerably reduced themselves 16 per cent. as compared with those of 1877, and we were reasonably happy. But while the premium receipts of 1879 were reduced only 3 per cent., the losses were increased over 20 per cent., as compared with those of 1878; so that, on the whole, we cannot consider fulfilled that "promise of a prosperous year to all," which was twelve months ago referred to by your Committee on Statistics.

It is not the province of this Committee to seek for the causes which have produced these results. We may, however, by way of solace, and to show that we are not worse off than our fellow travelers in the "same boat," refer to the fact that the Clearing House of San Francisco shows only \$553,953,956 clearings in 1879 as against \$715,329,320 in 1878—a falling off of 23 per cent., and that the loss by failures for California alone in 1879 (as shown by Dunn & Co.'s Reports) was \$5,963,578, as against \$4,550,188 in 1878, an increase of 31 per cent. If we look to those branches of business more closely allied with that of insurance, we find the stagnation in, or decreased value of real estate property indicated by the fact that bank loans made thereon in San Francisco have decreased from twenty-four million dollars in 1877, to fifteen and a half million in 1878, and nine and a half million in 1879; and that, in the last year, for the first time, probably, in the history of the city, the releases exceeded the amount of loans made. The traditional loads of lumber which our solicitors have been able to follow up, and keep covered "from the word *whoa!*" have been few and far between, the receipts of lumber at this port having fallen off from two hundred and eighty-six million feet in 1877, to two hundred and sixty-four million feet in 1878—and still lower—to two hundred and thirty-one million feet in 1879, notwithstanding that the amount exported has been larger than usual.

The quantity of nails consumed at or distributed from San Francisco has, during the same period, diminished from 208,400 kegs to 166,100.

The figures of this report show that most of us get less business, because there is less business to get and more to get it. A reduced rate-book is not an Aladdin's lamp, by the fingering of which palatial residences can be made

to spring up for us to tack our house plates on. Extravagant commissions have no magic power for creating first class stocks in B class buildings, and we doubt whether even the potent sand-lot has not a greater ability to make us poor than rich.

Let us accept the situation; not fretting in the harness, but each pulling his load as best he may, hoping always for a turn in the lane and a more satisfactory grade.

The reading of this report elicited great applause, and the President remarked officially that it was the ablest report on that subject ever produced in San Francisco. He begged that the Association would show its appreciation of Mr. Carpenter's services by a formal record of thanks.

Mr. George Grant remarked that Mr. Carpenter had expended much valuable time and difficult labor to place before the Association a systematic report which would be the foundation of all future efforts in the same direction, and that the report when published would reflect great credit on the Association throughout the State. Mr Grant then moved that the Association tender to Mr. Carpenter a vote of thanks. This motion was enthusiastically seconded by several members. A resolution of thanks was then drawn up and read, and was acknowledged by Mr. Carpenter in a few graceful words.

The report of the Library Committee was read by Mr. O. H. Cole, who said, previously, that he should read it with great reluctance, as following so close on the able report of Mr. Carpenter.

## ADDRESS.

*Mr. President and Gentlemen of the Fire Association of the Pacific:*

At the Annual Meeting two years ago, your Committee on Library, through its worthy chairman, Mr. Hart, gave to this Association a report in detail and witticism, second to none presented on that occasion, and one to which we must plead our inability to equal.

We beg, however, your kind indulgence for the few moments allotted to us, and invite your attention to the few suggestions we have to make. In Mr. Hart's report was enumerated not only the then present condition of our newly fledged Library, but suggestions calculated to materially improve and augment the same. Hopes were also entertained that in due course of time we should have a Library, not in name alone, but in fact—one to which reference bearing on any subject pertaining to the profession, might be readily obtained, and your Committee of '79 would earnestly recall to your

minds those suggestions, and ask that in the future more thought and interest be manifested, and more money be expended towards the purchase of all truly valuable works by which the members of this Association may be elevated.

To the contents of our shelves there has been added during the year, the current numbers of the *Monitor*, *Times*, *Spectator*, *Insurance Law Journal*, and *Coast Review*, and to our worthy President, Mr. Hopkins, and to Ex-President Flint, we are indebted for valuable donations.

From the former we received Volumes 1 to 15, inclusive, of the *Monitor*, and Volumes 18 to 26, inclusive, of the *United States Insurance Gazette*, and from the latter, Volumes of the *Spectator*, for the years 1868 to 1878, inclusive, and we beg herewith to remark, that like ourselves, a Library has always room for improvement, and that donations from any of our members will, without doubt, be duly appreciated.

As has been truthfully remarked on more than one occasion during the year that has passed, the interest in this Association appears to be gradually deteriorating; little or no zeal has been manifested of late in its monthly meetings, and it is only just prior to the annual meetings that we begin to bestir ourselves, and to ask of each other, what has been done? what benefits have been realized during the past twelve months? Although it may not, perhaps, properly come within the province of this Committee to broach this subject, yet we feel it to be an all-important one, for with a continuance of this decrease in interest, the Association would soon cease to exist, and a Library, however efficient, would then be of little or no avail.

If, on the contrary, we realize and believe that we are founding a structure that will, at some future time, prove an honor to ourselves and a benefit to our successors; if we hope, eventually, to make our little Society in anywise the equal of our older and stronger brother, the "Association of the Northwest," does it not behoove us to give not only our attention and a limited portion of our time to the regular meetings, but also to strive in our everyday callings, to give all in our individual power to strengthen it, and to endeavor to more fully develop the objects and purposes for which it was established?

We believe in this Association, and we believe, too, that there is energy and talent amongst its members, sufficient to achieve in time, a grand success; and in this belief, we ask that you embark on this new year with a full determination to give your time and energy more fully to these interests, and as a result, we think you will find amongst other desirable ends that will be gained, that the interest in, and the interest of our Library will be manifest. [Applause.]

On motion, received and ordered placed on file.

### THE KNAPSACK,

from which, we have extracted several interesting items, was read by Colonel Kinne, the manager of that humorous sheet.

The Colonel said he was sorry that his business obliged him to be out of town so much, as it interfered with his managerial duties. The paper might be made a permanent feature of the Association, if it could be edited by some person of more leisure than he had himself. He suggested that the paper be read at each monthly meeting. Following are gleanings from the *Knapsack*:

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CALIFORNIA KNAPSACK.

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VOL. 1.

No. 1.

C. MASON KINNE, - - - - - Manager.

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PROSPECTUS.

The manager of the *Knapsack* desires to convey to its subscribers the assurance that it starts out on the troubled sea of journalism with a large capital, vast resources, and an array of talent second to none of the first class periodicals of the day.

Its design is set forth in the resolution which called it into being, and if a realization of its purpose is half as successful as the enthusiasm of its conception—a year ago—all will be well.

Being a 12 months child, it ought to come into the world (as it does) full fledged and vigorous.

We are prepared for any weather—favorable or adverse—our blankets are rolled and strapped, and the cold reception sometimes awarded to venture-some news-mongers will not affect us. The *Knapsack* is filled with good things, “from grave to gay, from lively to severe;” and without more of preface will proceed to show what of our promises can be fulfilled.

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A fire insurance agent refused to issue a policy to a man who owned a broken winged hen. He said the company had cautioned him to look out for *defective flevs*.

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It was not the Secretary of a local company, doing a national business, that was recently offered a line on Zion's Co-Operative Institution of Salt Lake, at one per cent. After “hemming and hawing” at the physical inadequacy of the rate, he finally succumbed with the remark, “But, after all, it must be a *moral hazard*. I have heard Zion *very favorably spoken of*.” And the policy clerk wrote it up.

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There had been a fire of some extent in Oregon, and a gathering of insurance people and commercial men was the immediate result. Dining together, it was noticed that an unnaturally good appetite and a proverbial scarcity of good things, sometimes caused one of the genial adjusters to go for things

quite early and freely. Some allusion being made to the fact that he represented the only company whose policy called for the expenses of the adjuster to be paid by the assured, one of the travelers quickly put the absence of viands and this clause in juxtaposition after this fashion: "Yes, and I see that he is utilizing the 'adjuster's claws' already." After that the rest of us stood a better show at the table.

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It burned a few weeks ago, but the records of Santa ——— county failed to show that the assured had any title to the nice little dwelling. So the adjuster quietly "hung up" the claim. On his next visit to the town he was approached by the agent of a rival company, who had evidently been retained by the assured, and who explained that the apparent discrepancy was only the result of a little mistake. "You see," said he, "my friend was instructed to insure the property by its owner (who, by the way, generally insures with me), and by mistake had the policy made in his own name; but the Confederacy Insurance Company, which I represent, would never resist the claim on that account. We always consider the *intention*." "Is that so!" said our genial adjuster of doleful name. "Well then, it was doubtless the *intention* of your regular customer to order his property insured with you, and you had better *pay the loss*."

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Apropos of the coining of new words and changes in the orthography of old ones, we note that some of the fire companies in writing to their people in the old Mormon district of Southern California, spell the town *San Burnardino*.

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### THE SCALPER'S SOLILOQUY.

[Tune—THE OLD SEXTON.]

Nigh to a house that was newly made,  
 Stood a "Scalper" bold, and thus he said—  
 The risk is good, and without delay  
 I'll measure the width of this alley-way;  
 Ah! its only nine feet six I see,  
 For the "tariff" too narrow, alas for me!  
 And he sighed from his quivering lips so thin,  
 I must gather it in—I must gather it in.

I must gather it in—for, year after year  
 I've shaved the "tariff" without favor or fear;  
 And rated these houses that cluster around,  
 Without any regard to "exposures" as found;  
 "Extra" and "special," "gilt-edged" and "scum,"  
 Find place in my companies one by one;  
 But come they from strangers or come they from kin,  
 I gather them in—I gather them in.

Not many are with me, still I'm not alone,  
 I'm king of the "tariff" and make it my throne;  
 In dealing out rates I'm both cautious and bold,  
 And my sceptre of rule is the "cheek" that I hold;  
 From cottage or mansion men come at my call,  
 And I fix up a rating to suit great and small;  
 Let them dicker for "rebate" or come down with the "tin,"  
 I gather them in—I gather them in.

I gather them in—and my secret I rest  
 Far down in the depths of my own guilty breast;  
 And the "Scalper" ceased—for lo, in the street  
 He spied a "square" agent he cared not to meet.  
 And I said to myself, when Time is told,  
 A mightier voice than that "Scalper's" bold  
 Will sound o'er the last trump's direful din,  
*I gather him in—I gather him in.*

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#### A SHADOW ON THE BUSINESS.

Much has been written on the subject of insurance, bearing upon its origin, science, practice and development.

Much has been said in convention and annual meeting. Happy bursts of impromptu, have told the humorous side. I do not remember to have heard discussed what may be termed the *shadow* on the business.

That there is a dramatic, even tragic element, is well known to the gentlemen composing this Association. It is not known to the superior officer. It borders on sentiment, and is not in keeping with comparative statements, classifications or dividends. If the heart of the special is wrung in the pursuit of his duty, it does not appear in his report. Not once, but often, the sad, sad spectacle of hope destroyed, ambition wasted, homes broken, family ties severed, *and worse*, is included in an adjustment. You do not seek these particulars, they come with the *other* particulars.

In the midst of ruin—with some stricken, dazed claimant, you go over and over the same story, picking out the facts which serve to make proof that no condition of the contract has been violated—or the reverse.

The company's check will hardly suffice to provide new clothing for the children. What is that to you? Your stony face is a terror to that widow. You have need of that stony face to hide your real feelings. Do you remember when the neighbors told how valiantly claimant Blank had worked that he might save his property?

Oh yes, you thought, same old story. You hunted up his dwelling. In reply to your question the gentleman said—"I am not Mr. Blank, I am his physician, he is dead—died suddenly of heart disease, from overwork."

That was a good settlement; the directors approved the application of the removal clause—the claimant did not talk back; but the wail of mourning lingers in your memory.

Then the day we took train together bound for that delinquent agent. That tiresome, evasive, delinquent agent, with his merry-happy-go-lucky disposition, his cozy home, his hospitality.

The limit was reached; he had been warned. We did not for a moment doubt that we would prosecute him to the full extent.

We nerved ourselves to meet his genial denial, with firmness. We reached the spot just after they had cut the body down.

There he was! A suicide! His young, handsome face purple in death. No money to be made by talking to *it*.

Did we sympathize with the little broken-hearted woman?

My friend, we got that balanced, which the President said was doing first rate, *under the circumstances*.

Our sympathy and the recollection of the many good traits of his character are left to mock us.

Harry Smith, peace be to his ashes, once gave me a leaf from his experience. Seeing in the newspaper an account of loss, one of his own pet mountain risks, he packed up and started. From the stage-driver he gathered particulars.

It was a hard case; the claimant, an honest miner, with his family, were burned out of house and home and were camping in a shanty. No water to work the rocker—credit almost gone. Driver didn't know if the house was insured; nice house, cost a power of money. Didn't know how the fire started. It was six miles to town, too far to give an alarm.

Harry alighted, and was met by the assured. "Do you remember me?" said Harry. "Oh yes, I remember, you're the insurance man. I haven't got anything to insure now, Mister; yonder is my house under them ashes." "Well," said Harry, "It was insured, was'nt it?" "No! No! I meant to have it done over again, but the time went by and it run out. Its no use my grieving over it, stranger, but it brings us down to bed-rock."

"Well, my man," said Harry, "I know more about that policy than you do. It has not run out yet, and I am here to pay you the money." "What!" he shrieked. "What! Mister, don't you fool with me. You mean it! Wife Wife! we're saved, saved!"

"Here, children, run and call your mother; excuse me, sir, I can't stand it, you tell the old woman." And the honest fellow went off and shed tears, which thumb-screws could not have forced from him.

Harry camped with them that night; there were four children playing about the place, with a big St. Bernard dog.

The host noticed Harry's look of admiration directed to the dog, and after a few words with his wife and the children, said: "Mr. Smith, we want to give you something for a keepsake; we haven't got anything but the dog; if you will take the dog with our best love, we give him to you freely. I wouldn't give him to another man, Mr. Smith. Money couldn't buy him from us." Harry accepted the present in the spirit of the gift. Next morning, when the stage loomed in sight, a mournful group of children led the dog forward, each one hugged him in turn and whispered a brief farewell.

Harry took in the situation and addressed the children, in that cheery voice we remember so well, as follows:

"My little friends, I think that is the *prettiest dog* I ever saw, but I wouldn't take him away *from you*—no, not for the world. I give him back to you, my little friends." The shout of joy that went up was dearer to Harry's heart than a thousand dollar salvage. He mounted the seat beside the driver, and was lost to their sight—*forever!* G.

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## POKER BILL.

### I.

It was in the days of stage travel over the Mojave desert from Los Angeles, before the Loop road was completed, that a party of travelers stood shivering at two in the morning of a spring day, waiting orders to get aboard the deep-chested, leather-lined Concord coach bound for Caliente, at that time the railroad terminus. Among the number, your contributor, used up by two days and nights anxious work on a particular adjustment.

At the word he glides into the inside front seat, folds about him his ulster and falls immediately into sleep, deep as a well and welcome as May flowers. No amount of squeezing disturbs him. He sways with the motion of the coach and peacefully rebounds with each concussion; the first streak of dawn reveals him in these airy flights. It lights up the inside passengers, showing the form of a burly, glad-hearted, cheery-voiced commercial traveler, known to the trade as "Old Iron;" also, a slight, fair-haired, blue-eyed, boyish-looking young fellow, just up from a two-weeks' vacation in Arizona, sun-burned like a pirate, and armed like a footpad. The other passengers were of the usual variety. They are wide-awake, fresh and buoyant, drinking in the cool, delicious morning air. A dense, almost suffocating sweetness is in the breeze—a pure scent of bud and blossom everywhere. Suddenly a gold and yellow sunrise bursts forth, tingling the senses with delight. The very horses feel the exhilaration. The driver, too, is at his best. He pulls the six plunging *broncos* to a standstill, and tells somebody to get down quick, at the same time informing the off-leader confidentially that he will cut the whole heart out of him in a little minute.

The somebody got down quickly and joined the insiders. He was a timid looking tourist, faultlessly dressed for travel, with an eye for points that smacked of the guide-books. Before many minutes he communicated to the commercial traveler a fear that the outside passengers were a desperate lot. "Their whole talk is of stage-robbers, and all of them carry deadly weapons." "Old Iron" saw his chance and seized it. Pointing to the sleeping special, he said in a tragic whisper, "That's Poker Bill himself!" "Who—who is he?" faltered the tourist. "What! never heard of Poker Bill, the Arizona outlaw; used to live in Baltimore; killed his father in '61; ran away and joined the Turks; turned up last year in Arizona. He is the captain of that gang outside. He's a dead shot. I once saw him shoot a man's ear off—man refused to drink with him. He can pick the end of your nose off, as

easy; best natured man in the world if you don't rile him; when he's riled it just seems as if hell *was* let loose. You take a fool's advice and *don't you* rile him. I ain't afraid of him myself; no, sir. I once saved his life. He thinks the world of me; he is going up to the Bay to keep shady for a while—shot a girl down in Prescott—just an accident—a mistake, as you may say; but the folks wouldn't have it; they draw the line on girls in Prescott. It's near breakfast time, and I'm going to wake him up; mind you don't rile him."

The passengers enjoyed the sport, and blinked and grinned at each other. The tourist grinned, too, but in an uneasy way, like one who is sea-sick.

## II.

When "Old Iron" woke me with a vigorous shake my remonstrance was couched in such forcible yet injudicious language, that the heart of the tourist sank within him, and the hope of meeting a *mild*-mannered cut-throat died in his breast. A few broad hints gave me the cue. We fooled him to the top of his bent. We waded in *gore* for his benefit, rehearsed scenes of horrible fancy, dragged to light bleeding hearts and quivering fibers; while his face—now pale, now flushed—settled into a blue-white glare disagreeable to look upon. At this stage of the proceedings the fair-haired passenger took a hand.

Up to this time, he had simply assented to the *worst* propositions by silent and solemn nods, as if mentally checking off familiar incidents. He now produced a wicked-looking bowie-knife from his boot-leg and proceeded leisurely to pick his teeth. This was too much. With one bound the tourist disappeared through the stage-door; with alarm we saw him roll over and over in the dust. The stage halted; slowly the victim approached—uninjured, a wretched object. With outstretched arms and a trembling voice, he begged the mystified driver to let him ride outside. He rode outside all day, in the heat and dust. He would not leave his perch; breakfast, dinner, supper had no charm for him. At sunset the passengers held council; something had to be done. Supper was nearly over, and there he sat, alone, on the roof of the coach. By request, I reasoned with him—I said: "My dear sir, get down and eat; don't you see it is all a joke?" No reply. "Get down like a good fellow and have supper." Silence. Sternly then I cried, "Look here, confound you, if you don't get off that stage inside a minute, I'll blow a hole in you big enough to throw a pie through." That brought him. Down he came and did eat—ate like one who had fasted long in the wilderness.

We rode through the twilight and reached the sleeping car on time. As I stretched myself in bed with a thrill of pleasure, in anticipating sleep, I heard a troubled voice inquire:

"Conductor, has Poker Bill gone to bed?" "Who?" "Poker Bill, the Arizona outlaw." "Never heard of him." "Why, I saw you take a cigar from him and ask after his brother not five minutes ago." "Oh! him; what did you call him—Arizona outlaw? Outlaw be damned—that's an insurance adjuster."

SAN FRANCISCO, February 3, 1880.

COL. C. MASON KINNE, EDITOR CALIFORNIA KNAPSACK—*My dear sir:* The following clipping, from a recent number of the *Scientific American*, we consider of sufficient importance to find permanent lodgment in No. 1, Vol. 1, of our fraternity's *Knapsack* of useful knowledge:

### FIRE FROM STEAM PIPES.

*To the Editor of the Scientific American:* In answer to D. E. Smith, Oneida Community, N. Y., I will say fourteen years' observation has led me to the conclusion that it is utterly impossible to fire wood, or even touchpaper or tinder, with steam in pipes up to any pressure of steam at maximum density—i. e., not superheated—that can be carried on any ordinarily constructed boiler.

Why do not the wooden lagging of steam engine cylinders, portable boilers and large steam pipes on steamships, etc., take fire? or the dust that accumulates on steam coils in woodworking machine shops? Simply because the temperature of the steam pipe is not sufficiently high, and that the lowest temperature capable of doing so is between 500° and 700° Fah.

But some will hint at conditions and make use of the words "concentration of heat" and "spontaneous combustion."

Heat of this description cannot be concentrated, and is not capable of making anything hotter than itself, and spontaneous combustion has no place in our consideration, other than, if we are dealing with substances that are likely to fire spontaneously, heat will assist them, whether from steam pipes or any other source.

No one imagines they can light a stick against a boiling kettle (temperature 212°), but many will say, how would it be if I had 100 or 200 pounds of steam, it would be so much hotter then? It will be hotter. The following table shows the increase in temperature for each 100 pounds in pressure (above atmosphere) up to 400 pounds. Let them judge for themselves:

Pressure.	Temp. Fah.	Increase temp.
1 lb.	214°	
100 lb.	338°	124° 1st 100
200 lb.	388°	50° 2d "
300 lb.	422°	34° 3d "
400 lb.	448°	26° 4th "

Respectfully,

WM. J. BALDWIN, Heating Engineer.

Elmira, N. Y., January 1, 1880.

The other day an amiable looking and quite pretty young lady got into a crowded Mission street car and steadied herself by one of the roof straps.

"I beg you will sit still—don't move," she said sweetly to a young man who offered to rise. The gentleman resumed his seat and waited until the car had gone about a mile beyond Woodward's Gardens and everybody but the young lady and himself had gotten out. Then, turning to his fellow passenger, he said:

"Now, then, Miss, what is it?"

"What is what?" said the lady, beginning to look offended.

"Why, you asked me not to get out—now, what can I do for you?"

The young lady explained, with much confusion, that she only meant to decline depriving the gentleman of his seat.

"Why, you don't say so!" exclaimed the gentleman with apparent surprise. "Why, to be sure—I might have known—how stupid of me. A pity, too, as I was on my way to church."

"I'm very sorry," faltered the young lady.

"Well, it can't be helped now," continued the other sadly; and to show her he wasn't in the least mad he handed her out of the car and walked clear home with her.

A fellow can have lots of fun in this town if he only keeps his eyes open.

We would like to know the name of the insurance man living at the Mission who assumed this risk on stock of dry goods, and whether at full rates or not.

And now, the manager having selected the foregoing from the mass of matter provided, he realizes that life is short and time is precious, so, with the statistics of a Bromwell, the pleasantry of a Carpenter, the poesy of a Bailey, the pleasing diction or earnest pathos of a Grant, the clippings of a Staples and sundries by myself, we will buckle up the *Knapsack* and go "marching on" for another while.

Having so kindly, considerately, and generously held open the ample flap of the *Knapsack*, in order that the charges of rhetoric and humor might be fired in by the anxious and waiting throng of contributors, we propose to thank one and all alike for their assistance in this, the first essay in the journalistic realm.

President Hopkins said: "The *Knapsack* is too good to be allowed to perish."

Under the head of Unfinished Business, Mr. Spencer introduced his friend Mr. T. E. Pope, who had succeeded him as Special Agent and Adjuster for the Ætna Fire Insurance Company, and made application for membership to the Association.

Mr. Chalmers made application for the admission to membership of Mr. J. C. Staples, Special Agent for Hutchinson & Mann.

#### ELECTION OF OFFICERS.

For President, Mr. G. W. Spencer was nominated by Mr. Cole; Mr. Chalmers seconded the nomination. Mr. Carpenter

was then nominated by Mr. Gunnison, and thereupon Mr. Spencer expressed his desire to withdraw in favor of Mr. Carpenter. Mr. Spencer was elected.

For Vice-President, Mr. Carpenter was nominated and elected by acclamation, the usual forms in such cases being observed.

For Secretary and Treasurer, Mr. Carpenter nominated Mr. Kinne, but he declined, stating that it would be impossible for him to serve. He complimented the retiring Secretary and Treasurer, Mr. J. W. Staples, and proposed his re-election. On suggestion of Mr. Grant, Mr. Carpenter withdrew his nomination of Mr. Kinne, and, on motion of the latter, Mr. J. W. Staples was unanimously re-elected as Secretary and Treasurer, the Secretary *pro tem.* being instructed to cast a ballot for that purpose.

For Executive Committee, Messrs. Geo. F. Grant, Edward Brown and Oliver H. Cole were nominated and elected.

The new President then took the chair, which had been vacated by his predecessor.

On vote, the Secretary was instructed to file a voucher for fifty dollars in payment of his expenses for the year 1879.

Mr. Hopkins, the retiring President, then read his report, which was loudly applauded, and was as follows:

## ADDRESS.

*Gentlemen of the Fire Insurance Association of the Pacific:*

As the time approaches for me to retire from the office of President of our Association, to which I was elected by your kind consideration a year ago, I feel the occasion to be a fit one for a review of our business during the year 1879, as compared with its predecessor, and for a few remarks bearing upon the present condition and prospects of insurance interests on this coast.

The preliminary reports of the various companies to the Insurance Commissioner exhibit the following figures:

## FIRE COMPANIES DOING BUSINESS IN CALIFORNIA.

	Risks.	Premiums.
7 Locals wrote.....	\$59,290,002	\$809,004
59 Eastern wrote.....	58,794,272	956,990
27 Foreign wrote.....	110,880,384	1,667,009
93	<u>\$228,964,658</u>	<u>\$3,433,003</u>

## LOSSES PAID.

7 Locals.....	\$264,912 46
59 Eastern.....	259,838 89
27 Foreign.....	585,592 68
	<u>\$1,110,344 03</u>

Being an average loss of 32 3-10 per cent. on premiums, and showing highly profitable results, as the effect of combined good luck as to losses, and good management as shown in maintaining rates of premiums and correct practice in the taking of risks. Compared with last year, the figures show one less local company than in 1878, two more Eastern companies, and one less foreign company. Reduction in risks written, \$9,670,372; reduction in premiums received, \$106,661; increase in losses paid, \$188,949; increase in ratio of losses to premiums, 6 per cent. Compared with the results of fire insurance business in California for previous years (for which, as well as for the above figures, I am indebted to the *Coast Review*), we find that the ratio of loss to premium was in

1878.....	26.03
1877.....	31.17
1876.....	34.06
1875.....	30.50
1874.....	25.
1873.....	28.
1872.....	34.

An average remarkably low, as well as even on a business so limited as is that of this coast. For it is to be noticed that during these years the amounts written have varied only from \$148,345,589 in 1873, to \$256,470,640 in 1877. By comparing our average rates of losses with those of other States and Canada, as published in the February number of the *Coast Review*, we find that very few States in very few years have shown results at all to be compared to ours, while the average of them all, including California, shows 62.89 per cent. of loss.

To what is this favorable result owing? Probably more or less to each of several causes. We have but few special hazards—manufacturing risks, etc., compared with the Eastern States. We have but one large city in which disastrous conflagration is to be apprehended, and in this the precautions taken in our superb paid fire department, our copious supply of water, our telegraph

alarm system, and last, not least, our efficient fire patrol, have reduced the losses of late years to a mere fraction of the premiums paid. We use red-wood, so hard to ignite, so easy to extinguish, for the outside of all our wooden buildings, instead of the highly inflammable white and pitch pines of the East. Far less fire heat is required to warm our houses than in the colder States. Our buildings are all comparatively low. We are not liable to severe gales, especially at night, except while the wet southerly winds are deluging the State with rain. We have no fires from lightning, no freezing of water pipes in winter, and we have supplemented all these natural advantages by a comparatively firm maintenance of rates through the operations of the Board of Fire Underwriters ever since its reorganization in 1871. We have therefore secured better premiums than our Eastern brethren, while our ratio of loss is from natural, mechanical, and commercial causes, much less than theirs.

During the past year this body has undertaken to do something towards mutual improvement in professional knowledge, by the introduction of essays on insurance topics, followed by debates thereon, at all our regular meetings. Unfortunately, so many of our members have been absent from the meetings, that sufficient attention has not been excited to these discussions. As their interest and value depend on the thoroughness of preparation of the papers read, I would respectfully suggest that the regular meetings be held quarterly hereafter, instead of monthly as at present. Four interesting meetings per annum would be far more useful than twelve thinly attended failures.

A small beginning has been made toward the collection of a Library. I would respectfully suggest that a special subscription be put on foot among the underwriters for the purpose of acquiring a compendious Library of insurance works and periodicals. There is now no such collection in this city, and its presence in these rooms, where all in business could have access to it for the purposes of investigation, could not fail to raise the standard of professional knowledge among our members.

Thanking you again, gentlemen, for the honor you have conferred upon me, by electing me to the office of your President, and for the courtesy I have always received while acting in that capacity, and asking your kind forbearance for the shortcomings on my part, which have been mainly due to ill health, I now retire in favor of my successor, Geo. W. Spencer, Esq., under whose administration I doubt not this Society will make substantial progress towards the object of its formation.

Applause.

#### THE NEW PRESIDENT'S REMARKS.

President Spencer said that he was very grateful for the honor that his election had conferred upon him. He would do his utmost to make the Association a success. He suggested that if the Association met once in three months, instead of monthly, as heretofore, the meetings would be more largely attended and would be more interesting. He hoped the members would con-

sider the suggestion, and if they thought proper to do so, that they would make the necessary amendments in the By-Laws.

Mr. Gunnison then gave notice that he would move, at the next monthly meeting, that the Constitution be amended in accordance with the views expressed by the chair relative to time of holding meetings, making them quarterly in future. Mr. Spencer also suggested that a committee should be appointed to collect funds for the Library.

#### MR. EDWARDS AND THE LIBRARY FUND.

Mr. Edwards said, in regard to the Library referred to by the President, that if such a subscription were canvassed among the underwriters and citizens, sufficient funds might be raised to get a copy of every standard insurance work in this country. He said further that he had the agency for all Hine's books, and some other of the principal insurance publications in the United States. He offered to order any other works that might be required, and promised that on all books purchased by the Association from his agency, he would remit his commission. He begged that the Association would consider such a remission as his subscription to the Library fund. (Applause.) The President hoped that the proposition of Mr. Edwards would be met in a similar spirit of utility and liberality. Mr. Kinne suggested that the President and Vice-President should serve as a Library Committee, and afterwards a motion to that effect was unanimously carried. Mr. Edwards thought it important that the Library Committee just appointed should go to work at once and obtain funds. Then the books required could be placed here in a few days.

#### MR. HOPKINS' RETIRING REMARKS AND THE REPLIES THERETO.

He said: "Before you put the motion to adjourn, I would like to make a remark or two. There have been so many able reports from the committees, and the meeting throughout has been of such uniform interest, that I feel great pride in this my last day's labor as President." Mr. Hopkins then briefly thanked the Association for its assistance and good-will, and hoped the

members had received such new vigor as would incite them to still stronger efforts under their new President.

Mr. Gunnison proposed a vote of thanks to Mr. Hopkins. Mr. George Grant said that he especially wanted to thank Mr. Hopkins for the encouragement which the whole Association had received from him as their late President. By his influence the custom of speaking and writing had been introduced into the Association, and had brought out the originality of the members, and given them an opportunity for improvement which was not afforded elsewhere. He considered this practice one of the strongest bonds for keeping the Association together. After alluding to the personal efforts of Mr. Hopkins, and the benefit that had been derived from his lectures, the speaker seconded the motion for a vote of thanks to the retired President. President Spencer hoped that a resolution would be adopted in accordance with the motion, and that it would be spread on the minutes. The motion then was carried unanimously.

#### THE COAST REVIEW.

Mr. Carpenter moved that a vote of thanks be extended to this paper, which had always shown both courtesy and generosity to the Association by the publication of their proceedings. Mr. Gunnison seconded the motion, which was carried unanimously.

#### ADJOURNMENT.

Mr. Hopkins returned thanks for the compliment paid to him, and moved the adjournment of the meeting. His words were as follows: "I am much obliged to the Association for their vote of thanks, and *very* grateful for it under existing circumstances. My duties, at present, seem to be hostile to many of the society, but it is only in business, and for no personal reason. Let us, while here, cultivate brotherly feeling and friendship, notwithstanding our interests may conflict outside. I move that we adjourn."

The meeting then adjourned.

## SHORT ESSAYS ON IMPORTANT SUBJECTS.

This Association, at the suggestion of its President, Mr. C. T. Hopkins, inaugurated a system of essay readings and discussions, which is to be a permanent feature of its regular monthly meetings. The essays, which are to be original productions of the Association's members, will be read and discussed under the rules of the following resolution, which was adopted at the meeting on the 20th May last:

*Resolved*, That under the head of New Business in the order of business, at the regular monthly meetings of the Association, the order of business shall be as follows:

1st—The reading of an essay, to be not less than fifteen minutes nor more than a half-hour long, on some topic connected with fire insurance business, to be selected by the essayist and announced by him two meetings in advance, or to be assigned him by the President, from a list of topics to be kept by the Secretary, and so announced two meetings in advance; all members to be liable to this duty in rotation, following the alphabetical order of their names. Any member expecting to be absent from the meeting at which he has been appointed to read, shall have the privilege of having his manuscript read by another member or by the Secretary, or of securing and appointing a substitute. In default of his performance, either in person or by a substitute, he shall be fined \$20, unless excused for good and sufficient reason by the Association.

2d—Immediately following the reading of the essay, the President shall call upon each member or guest present to discuss the topic in a speech, not to exceed five minutes, until all have been called upon; after which the discussion shall become general. Authorities may be read by all speakers.

3d—Any member desiring the discussion of any topic, may hand the same to the Secretary, to be placed upon the list.

4th—When deemed desirable, the question under debate may be decided by a vote of the members present.

5th—All manuscripts read at the meetings shall be handed to the Secretary and retained by him as the property of the Association, and such manuscript or portions thereof may be published as the Executive Committee shall deem worthy of publication.

As part of the business of this meeting, Mr. E. Brown presented and read an essay on "Elements of Rating Hazards."

### "ELEMENTS OF RATING HAZARDS."

It has probably happened more than once in the lifetime of every member of the Smith, Brown, and Jones fraternity that occasion has arisen which has

made said member wish that his name had been anything else than S., B. or J. No scion of those respectable, but very numerous families ever more devoutly wished for a change in his cognomen than does the writer—on this present occasion. Because, as it unfortunately happens, his name appears first on an alphabetical list of the members of the Underwriters' Association of the Pacific (?), and on him has devolved the duty of preparing the first of the series of articles or essays, to be read at our meetings in accordance with the resolution lately passed; thus entering upon—to him—a new and untried field, without instruction or example from those who by education, experience and ability, are so much better qualified to address you.

The subject assigned by our worthy President as my text is that of the "Elements of Rating Hazards." Fire hazards may be primarily divided into two great classes—the "moral" and the "inherent." These again, particularly the latter class, are susceptible of subdivision into many heads. The *moral* hazard embraces not only that pertaining to the ownership, but also those to the occupants and neighborhood. The *inherent* hazard includes, amongst others, those of construction, of exposure, of precautions against fire, of facilities for extinguishment, of occupation, of the direction and force of prevailing and occasional winds, of fuel, of lights, of care and watchfulness in management, of motive power (in manufactories), and of—as the hand-bills say—many others, "too numerous to mention."

The most logical and sensible objection urged against the formation of Boards, or Tariff organizations by those who refuse to take part in them, is that they tend to deprive companies and their agents of the exercise of judgment, common sense, and free will; that the members of such bodies become mere machines, who instead of surveying a proposed risk, with a view of ascertaining its actual hazard, or of satisfying themselves as to whether it is a proper one to carry, and what would, in comparison with similar risks, be a suitable rate, merely turn to a tariff paternally provided by the organization, a tariff which ignores improvements or deficiencies, which classes the impecunious with the substantial, the ignorant and reckless with the skillful and careful. There is no doubt that there is much of truth in such an assertion. Men who are not required to think and judge for themselves, instead of advancing, retrogress. The rate is not the overpowering factor in fire insurance that so many suppose. The hazard—moral and inherent—is the chief thing to be considered. Select only the unquestionably good risks—good externally and internally, and in *every* point of view; they will prove profitable at almost any reasonable rate. On the other hand, howsoever high, will compensate for carrying inferior business.

The elements to be considered in rating are so varied and so numerous, that it will be impossible for me, in the limits of such a paper as this, and without encroaching more upon your time than would be warrantable, to more than glance at a few of them. The rudiments of rating are familiar to us all. It would be a waste of your time and an insult to your intelligence, to enlarge upon *them*, and I will speak merely of two or three important hazards which are either ignored or not properly appreciated by California underwriters.

The world is constantly changing, and in nothing is this more perceptible

than in the ever-growing hazards of fire, and in the consequent changes in the elements of rating. The two epochs which have been most marked in this gradual but constant change have been those of the adaptation of steam as a motor and of the introduction of petroleum for illuminating and lubricating. Skilled adepts in the business of fire underwriting found that they had to unlearn much which it had taken years to acquire, and that in part at least, they had to commence again *de novo*.

As yet, we are but mere babes in the science of fire underwriting—at the foot of the ladder only. Many of the hazards—their causes and origin are sealed mysteries to us. Spontaneous combustion and ignition! How much do we know of them? Who can account for the causes of the extraordinary loss of nearly five millions on flouring mills in the United States during the past year? Who can explain the ignition of wood when no flame or spark has been near? Scientific men tell us that carbonized wood rapidly absorbs the atmosphere, a high temperature is engendered, and spontaneous ignition becomes possible. A very ingenious theory, but who of us know what condition of things will produce all this chemical action? Can we tell the baker how often he should renew the flooring boards over his oven? Can we inform the manufacturer just how near he may bring a partition or floor to the boilers without any danger of the wood therein becoming carbonized? Can we go into a woolen mill and prove to the *satisfaction of the manager or superintendent* just what condition of things will bring about a spontaneous fire in his waste? just why his patent dryer is dangerous and inadmissible, and all about it?

In my opinion, the first thing necessary to make a competent insurance man is to acquire a thorough knowledge of chemistry. When the underwriter shall, after a practical education for the business, and many years of experience in it, know just *why* and *what for* he charges a given rate on a certain risk, then there will be some hope that an intelligent article may be written on the "Elements of Rating." Until then, it can only be a "Magnificent System of Guessing."

Treating of the hazards of which we do know something, and with which we are brought into daily contact, I would call attention to the height and size of buildings (especially of frames), as affecting the rate. It would seem unnecessary to say that a low frame building, one or two stories, is not only far easier to be handled in a case of fire, as compared with one of four or five stories, but it is also far less likely to get on fire. In a huge four or five storied structure may be found all sorts of tenants, and all kinds of business carried on. It is a fact patent to all that the upper floor of a four or five storied building is less valuable to the owner than that in a two or three storied building. Its inconvenience of access renders it undesirable for most purposes. If rented at all it is to a class of tenants to whom attaches a much greater moral hazard than to those who occupy first, second or third floors. Frequently it is occupied for storing away all kinds of old, inflammable trash, and is left to the exclusive guardianship of the rodent tribe, who find it just the place for their domiciles, and who carry to it any stray matches or other combustible matter they may come across in their nightly wanderings, and

there they hold high carnival. When, as *sometimes* happens, a fire does break out in that fifth floor, much to the surprise of the owner and occupants of the building, it is unperceived (by all, but the rats, who neglect to give an alarm) until the whole upper part is in flames, and usually ends in the entire destruction of the building, and frequently of others besides.

If there be any hazard greater than another which menaces the existence of this city, it is that arising from the presence of numerous, extensive and lofty frame structures, each of them occupied by numbers of people, many for varied purposes, and constituting in themselves "omnibus specials" of the worst character.

I hold that the underwriters are greatly to blame for this state of things. If instead of charging the same basis rate and a like addition as an exposure for a little 10x12 one-story shanty as for one of these "frame rows set on end," as some one has aptly termed them, they had established height as well as a basis rate, and had allowed a reduction for anything below, and *per contra*, made heavy additional charges for everything above, they would have practically prevented the erection of these eminently dangerous buildings.

One other topic and this article must close ere your patience becomes exhausted. We of the Pacific Coast never fail to dwell, when opportunity occurs, upon the superior qualities of redwood as compared with pine. I understand it has become a proverb with our brethren in the East "that redwood cannot burn until it gets on fire." However we may be, *we* believe in redwood. We know that it is far less liable to ignite, and when on fire much more easily handled than other woods used in building. We have seen this demonstrated so often and never more forcibly so than in the preservation of the Catholic Convent at Reno during the conflagration of March 2d, last, that it is unnecessary to speak of it here. Yet, gentlemen (and it is a marvellous thing to me), we practically deny all our asseverations and condemn our pet lumber by using the same tariff, basis rates, additions for exposures and all, for redwood as for pine! What a singular anomaly! True, we add 40 per cent. to basis rates in Book 4 in certain parts of Nevada, and take the reduced scale for exposures in Book 3 in several counties around the bay of San Francisco; but the addition and reduction is made on the score of moral hazard, not on account of the difference in lumber. Would it not have been more equitable, and more consonant with our beliefs and doctrines, had the compilers of our tariff have either allowed a reduction from the rates in Book 4 for all redwood towns, or added a percentage to them for all pine towns, whether in California or Nevada?

Trusting you will overlook whatever of crudity there may be, as well as all sins, both of omission and commission in this contribution, I am, gentlemen,

Most respectfully yours,

EDW. BROWN.

Mr. James D. Bailey followed as the next essayist. He selected the subject of "Insurable Interest," and at the meeting of the Association on the 17th of June, 1879, his paper was read, as follows:

## "INSURABLE INTERESTS."

Mr. President and members of the Fire Underwriters' Association of the Pacific—The subject given to us for consideration at this particular meeting is one which, you will all allow, not only comprises a wide range of thought, but, in many cases, requires a careful discrimination on the part of the underwriter, before issuing a policy.

The limits of an ordinary essay are too contracted to do otherwise than give a mere synopsis of the subject matter that might be embodied under the head of "insurable interests," and I therefore simply ask your attention for a few moments to a rehearsal of some of the more prominent interests which the underwriter is called upon to protect under his policy of insurance.

The insurance contract being one of indemnity, it follows, as a matter of course, that the person insured must have an interest in the property, and be so situated in reference to it that an injury thereto, or its destruction, would result in pecuniary loss to him. In taking up our line of thought on the subject, let us begin by a reference to that familiar clause in the printed conditions of most policies, which says, "if the interest of the assured in the property, whether as owner, trustee, consignee, factor, agent, mortgagee, lessee or otherwise, be not truly stated in the policy, it shall become void;" thus admitting that each one of the foregoing interests may be protected by the policy, if properly set forth in the written portion. Let us briefly consider them in the order they appear, beginning with "Ownership."

The fact that the legal title is in the assured is not always the test of an "insurance interest," for the legal title may be in one who has no interest *in fact*, and, when such is the case, there is no insurable interest. An interest *in fact* must always exist. Thus, we find among recent decisions that where a party procured a policy worded "on *his* building," the policy having a condition to the effect that if the assured, not being the sole, unconditional and entire owner of the property, should fail to have his policy state that fact, the policy was avoided by proof that the assured had contracted to sell the property to one who had paid for it, though the buyer had taken no conveyance of the legal estate when the policy was made.

Next as to "Trustee." A person need not have a *personal* interest in property in order to have an *insurable* interest therein. It is enough if he has an interest therein for another as *trustee*, provided the interest existed both at the time of insurance and of loss; and his interest, as indicated in the policy, is alone covered thereby. It is necessary, however, that the assured should stand in such a relation to the property that its damage or destruction would entail pecuniary loss upon him, or those whom he represents.

The same remarks apply to "Consignee," "Factor" and "Agent;" and there seems to be no question but that where a person has the custody, care or possession of property for another, although he has no pecuniary interest therein, he may insure it in his own name for the benefit of the owner, and the insurance will inure to the benefit of the owner. This right is put upon the fact that, having the possession of the property, exclusive as to all but the owner, to whom the assured is responsible, he has the right to protect it

from loss, so that it, or its value, may be rendered to the owner when he calls for his own. It is essential, however, that it should appear that the owner was the person intended to be benefited by the insurance when the contract was made; hence the printed condition of policy before referred to, requiring a statement therein of the true interest of the assured.

So, too, in the case of a "Consignee;" he may, by representations made by him to the insurers, restrict their liability to his actual interest in the property, as in the case of one who procured a policy on "goods held by him in trust," and represented to the insurers that he was receiving goods for sale on which he made advances, and that the owners might not be able to repay the same, and that he wished for a policy to secure himself from loss by fire thereon; it was held that the policy only covered the assured's interest in the goods.

In contradistinction to this is the "insurable interest" of a pawn-broker, who, holding goods or property as security for advances made, has an interest therein; and, being bound to restore articles to the owners on repayment of the advances, he is not restricted to his advances, but may insure for the entire value of the property.

The next interest specified is that of "Mortgagee;" and here we find that both mortgagee and owner may insure the same premises for their separate benefit, the mortgagee, however, having an "insurable interest" only for the amount of his claim. A mortgagee's interest has been defined to be "the ability of the property to pay the debt;" hence, if that ability becomes damaged, the company becomes liable; and while the doctrine that the mortgagee insured is entitled to a strict money indemnity, is perhaps the general legal principle laid down by the courts, it certainly seems open to question how far a company would be sustained in insisting upon its option to rebuild, under a printed condition to that effect, so long as the written portion simply stated that the insurance was upon the mortgagee's interest.

Among the various "insurable interests" not already noted, may be mentioned that of "partnerships." The neglect (on the part of the *insurer* sometimes as well as the insured) to have the interest intended to be covered properly stated in the policy, has given rise to much trouble and litigation, after a fire, in order to determine the rights of all concerned. A partner has an "insurable interest" in partnership property of any kind to the extent of his interest, but cannot insure the whole in his own name, unless so expressed in the policy. When one partner takes out a policy in his own name, intending to protect the interests of the other partners, who subsequently ratify the same, he stands as a trustee for them as to the amount in excess of his own interest; so with a surviving partner, he may enforce a policy issued to protect the entire interest in the property.

A stockholder in a corporation, however large may be his interest in the stock of the corporation, has no such "insurable interest" in either its real or personal property as will uphold a policy as *owner* of the property: but it has been held, and it would seem with much consistency, that he has such a *qualified* interest in the property of the corporation that he may, as such, insure the corporate property for his benefit, to the extent of his interest as

such stockholder. This question was raised and decided in the case of a policy covering \$2,000 on the private stock of Gooddale & Hasford, in a saw-mill belonging to the Dubuque Lumber Company. It appeared that by "private stock" was meant the share or interest of the assured (Gooddale & Hasford) in the capital stock of the company, that the insurance was effected with the full knowledge of the company, and that their interest in the stock of said company exceeded the sum insured. The Court held that this was an "insurable interest," and that the policy was valid, basing its conclusions on the fact that any interest which would be recognized by a court of law or equity is an "*insurable interest*;" and, as a mortgagee of real property has an insurable interest in the mortgaged premises, based upon the interest he has in the preservation of the same as security for a debt, upon precisely the same principle a stockholder may contract for indemnity against injury to the value of his stock; for he also has an interest in the preservation of the corporate property from destruction by fire, and in its destruction he sustains loss in so far as the value of his stock is depreciated in consequence thereof, or his dividends cut off.

Regarding the "insurable interest" of a mechanic, it has been held that he who builds a house or does work upon a building for which he is to be paid when the building is completed, has an "insurable interest" therein to the extent of the work done upon the same at the time of the loss. This is predicated upon the ground that he has such an interest in the property as forms a legitimate basis for protection by insurance *until the work is completed and accepted by the owner*. That is, when the liability of the person for whom the work was done attaches, the "insurable interest" ceases. Thus, a lumber dealer furnishing materials, when by statute he has a lien upon the building, has an "insurable interest" to the extent of his lien; but, unless the lien can be enforced, no insurable interest exists. Again, following out this principle that whenever a person has such an interest in and connected with property as that in case of damage to or destruction of it he would sustain a loss therefrom, although having no legal interest in the property itself, it has been held that where property has been attached, and a third person has given a bond therefor to secure its release, he thereby acquires an "insurable interest" in the property to the extent of the loss to which he would be subjected in case of its destruction; and this applies with equal force to the case of a sheriff attaching property, or, in fact, to any person who, at the request of the debtor, becomes responsible for its return.

So also in the case of a person who is in possession of property under a contract to purchase; he has an "insurable interest" to the extent of his *pecuniary interest* in the property; but should he ignore the printed condition in a policy requiring a true statement of interest, and accept the policy written on his building (or other property, as the case may be) the policy would be void.

A tenant for a term has an "insurable interest" to the extent of the value of his leasehold interest; and a tenant who erects buildings under a right to remove them, may insure them as his own. A trespasser, however, or one who has erected a building on the premises of another without any license or

authority from the owner, whether the owner be an individual or the State, has no property interest therein, although he is in undisturbed possession of the premises, and consequently cannot effect a valid insurance thereon.

Now, Mr. President, I am well aware that, in inviting me in my turn to bring before this Association an essay on "Insurable Interests," you in your superior wisdom would be lenient and not expect any great amount of original thought or expression, as the law bearing on such interests is, in most cases, sharply and clearly defined. But as no undertaking can be eventually successful, unless it be conducted on correct principles and by a well-regulated system, it is with a pleasant satisfaction that I see, in the resolution adopted by this Association, a forward step in one of the most important matters that come within the scope of our deliberations—namely, the introduction of topics for discussion, and the reading of short essays upon subjects intimately connected with underwriting. By such a course it seems to me that we shall *all* more readily grasp and retain not only the latest and best thoughts of the more experienced underwriters of the present day, but, at the same time, keep constantly before us all of the well-settled principles that underlie the insurance contract, thereby preventing many of the errors and abuses that creep into the written portion of the policy, to be brought out in strong relief, oftentimes, only by the flames.

JAS. D. BAILEY.

## L. L. BROMWELL'S ESSAY, READ JULY 15th, 1879.

### FRAUD—MISREPRESENTATION—CONCEALMENT.

The exceeding fruitfulness of man's invention in cunning, stratagem, and hypocritical pretense, renders it impracticable to clearly enunciate what constitutes fraud in the very extensive signification in which that term is understood<sup>1</sup>. In its ordinary application to contracts, fraud includes any trick or artifice wilfully employed by one person to induce another to fall into, or detain him, in error, or to take an agreement contrary to his interest<sup>2</sup>. It may also consist in misrepresenting or concealing material facts, and may be effected by either words or actions<sup>3</sup>. The legal intent and effect of a fraudulent act, prejudicial to the rights of others, constitutes a fraud upon such right, although the parties may deny all intention of committing a fraud<sup>4</sup>. While courts aim at defeating fraud they require before relieving liability under a contract on such account, that due and proper diligence and caution shall have been exercised, for it is a well settled axiomatic legal principle that "the laws assist the vigilant, *not* the careless." A misrepresentation as to a fact, the truth or falsity of which any person of ordinary vigilance or

(1) *Green vs. Nixon*, 23 Beav., 530. *Reynolds vs. Sprye*, 1 D. M. & G., 691.

(2) *Green vs. Nixon*, 23 Beav., 535.

(3) *Sibbald vs. Hill*, 2 Dow, 266. *Lovell vs. Hicks*, 2 Y. & C., 55. *Graves vs. White*, 1 Freem., 57.

(4) *Kirby vs. Ingersoll*, 1 Harring. Ch., 172.

skill might ascertain, or a concealment of fact which such a person might uncover, does not in law constitute fraud; neither is a contract vitiated by the intention to violate it, which is not subsequently carried out<sup>5</sup>; but the misrepresenting or concealing a material fact within the peculiar range of the party's own knowledge so acting, even though it be also within reach of the other party, if device is resorted to for preventing or restraining inquiry, voids the particular transaction on the ground of fraud<sup>6</sup>. Inasmuch as there is no "full, perfect and complete remedy" at law in cases of imposition on insurance companies by willful exaggeration and fraudulent misrepresentation for the purpose of effecting insurance, is it not a question well worth the asking, why an appeal should not be made to the jurisdiction of a court of equity to set aside the contract on the grounds before stated? On an appellant in such instances the "burden of proof" is no stronger than in a *defense* on grounds of fraud. The rule of a court of equity is to interfere in all cases where the interests of justice call for and require its interference<sup>7</sup>; and it will annul an instrument obtained by fraud, although there may be a good defense at law<sup>8</sup>. If this be applicable to bonds, conveyances, deeds, etc., in consistency it should also apply to indemnity contracts. If the person by whose fraudulent misrepresentation a transaction has been induced, is not a party to the transaction, the transaction stands good and cannot be repudiated if the other party to the transaction has not been party or privy to the fraud<sup>9</sup>. The party defrauded must seek redress in an action at law against the party perpetrating the fraud<sup>10</sup>. A verbal or written statement before subscription of the policy as to the existence of some fact or state of facts tending to induce the underwriter more readily to assume the risk by diminishing the estimate he would otherwise have formed of it<sup>11</sup>, is called a *material* fact or statement; per contra, a statement having no such tendency is *immaterial*. Representations are required to be fair, honest and *bona fide*. There must be no misstatement of any material fact or circumstance<sup>12</sup>. A false affirmation as to actual cost of property<sup>13</sup>, or as to amount spent in improvements<sup>14</sup>, amounts to fraudulent misrepresentation. A man who, by act or deed, falsely and fraudulently impresses the mind of another with a certain belief whereby he is misled, is as much guilty of misrepresentation as if he had deliberately

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(5) Per Tindal, C. J.; Per Parke, B.; Scott, 588, 594.

(6) 6 Clark & F. Ho. L., 232. Com. Cont., 38. 3 Mann & G., 446, 450.

(7) Johnson vs. Ogilvy, 2 Eq. Ca. Ab., 31. Chesterfield vs. Jannsen, 2 Ves., 155. Wamburzee vs. Kennedy, 4 Dessan, 474.

(8) Johnson vs. Hendley, 5 Mumf., 219. Henshaw vs. Atkins, 2 Root, 7. London Assurance Co. vs. Moses, 11 L. T., 532.

(9) Appleton vs. Horton, 25 Me., 23. Lee vs. Vaughan, 1 Bibb, 235. Pulsford vs. Richards, 17 Beav., 95.

(10) Whitmore vs. Mackeson, 16 Beav., 128. Pulsford vs. Richards, 17 Beav., 95.

(11) Arnould.

(12) Kisch vs. Central R. R. Co., 3 D. J. & S., 122.

(13) Sandford vs. Handy, 23 Wend., 200. Pendergast vs. Reed, 29 Md., 398.

(14) Ross vs. Estates Invt. Co., L. R., 3 Eq., 136.

asserted a falsehood<sup>15</sup>. A representation which has been made sometime previous to the date of the transaction is not fatal to the validity of the contract unless it can be clearly shown to have been immediately connected and formed a part of it<sup>16</sup>.

When an underwriter is led into a contract by fraudulent representations or pretences by applicant or his agent, with intent to deceive and when such intention is *actually* accomplished, the contract will not be enforced whether the fraud has any direct tendency to induce too favorable an estimate of risk or not<sup>17</sup>. The materiality or immateriality of the statements or pretences as regards the risk or rate does not enter into the question, but only its general effect as a fraudulent deception<sup>18</sup>. Especially is this the case in response to direct inquiry by the underwriter, since by making such inquiry the materiality is implied, or so considered by him (Phillips)<sup>19</sup>.

The foregoing applies with equal force to misstatements or suppressions by a broker, of any fact or state of facts likely to influence the judgment of the underwriter, and such misstatements or suppressions redound to the injury of the principal the same as if they had been made by himself. It is of no moment that the wrong was exclusively the broker's; it is sufficient that the principal has endowed the broker with his agency and furnished him with proper information, which of the latter's own volition is withheld<sup>20</sup>. Of course, the concealment or misrepresentation must be so directly connected with the transaction as to influence or prejudice the underwriting<sup>21</sup>. On the other hand, underwriters are chargeable with their agents' fraudulent representations when such representations are in furtherance of the principals' plans. Such fraudulent statements as part of the inducement to the contract prejudice the principal the same as if made by himself<sup>22</sup>. Also, the suppression of a fact by an agent is a fraud which may be imputable to the principal<sup>23</sup>.

While it is true that the principal is bound by the fraudulent acts of his agent perpetrated on third persons while the latter is acting under his authority in reference to the subject of his agency, yet a person *dealing* with the agent is not liable for the acts of the agent in fraud of the rights of the principal, when such person is not himself a party to the fraud<sup>24</sup>.

Again, in regard to assertions made upon material matter, of which the parties are totally ignorant as to their truth or falsity, those parties must be

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(15) *Sibbald vs. Hill*, 2 Dow., 266. *Martin vs. Pennock*, 2 Barr., 376. *Graves & White*, 1 Freem., 571.

(16) *Burnes vs. Pennell*, 2 H. L., 497, 530.

(17) Phillips, Vol. 1, p. 291.

(18) 1 Arnould Mar. Ins., 500. 3 Kent's Comm., 5 ed., 283.

(19) *Burritt vs. Saratoga Mut. F. Ins. Co.*, 5 Hill, 188. 3 Comst., 122.

(20) *Seaman vs. Fonnereau, Str.*, 1183. *Fitzherbert vs. Mather*, 1 T. R., 12.

(21) *Dawson vs. Atty*, 7 East., 367. *Edwards vs. Footner*, 1 Camp., 530.

(22) *Welles vs. Glover*, 1 Bos. & Pul., 14. *Roberts vs. Fennereau*, Park on Ins., 285. *Ruggles vs. Ins. Co.*, 4 Mason, 74.

(23) *Proudfoot vs. Montefiori*, L. R., 2 Q. B., 50. *Fuller vs. Wilson*, 3 Ad. & El., N. S., 58.

(24) Wharton Comm., 185. *Mason vs. Bauman*, 62 Ill., 76.

held, in a civil point of view, as responsible therefor as if they had asserted that which they knew to be untrue<sup>25</sup>.

A misrepresentation as to the legal effect of an instrument may be fraudulent; for, if a party be misled, and advantage be taken of his ignorance, respecting his legal position and rights, there may be no legal fraud, but the case may come within the jurisdiction exercised by courts of equity to prevent imposition<sup>26</sup>. In this connection there is no positive evidence like proofs of loss, receipt for money paid, or cancelled and surrendered policy, to prevent a re-opening of an adjustment; but sufficient testimony may be adduced to make it appear that imposition was practiced by a wrong and fraudulent misstatement respecting the party's legal position and rights.

Impeachable transactions on account of fraud, in equity may become unimpeachable by subsequent confirmation, acquiescence, or by mere lapse of time; by the very act of ratification, confirmation or affirmance, the party performing such act becomes a party to the contract, and though not bound before, becomes thereby bound by it<sup>27</sup>. A party intending to seek relief on the ground of fraud should be prompt in communicating his discovery of the fraud, and consistent in his notice to the opposite party of the use he intends to make of it<sup>28</sup>.

It will be observed that in the construction of contracts that are sought to be set aside on the ground of misrepresentation or concealment, the courts are less liberal to the fire, than to the marine, insurance companies<sup>29</sup>, and for this reason: The means of knowledge are, generally speaking, more within the powers of the parties to a contract of fire insurance, while marine underwriters must rely almost entirely upon the good faith and proper representations of applicants, and trust to a full, free and frank disclosure of all the facts and circumstances. Where there is confidence reposed concealment becomes more fraudulent<sup>30</sup>.

Concealment which amounts to fraud is the non-disclosure of those facts and circumstances which one party is under some legal or equitable obligation to communicate to the other, and which that other has a right, not merely *in foro conscientiae*, but to know *juris et de jure*<sup>31</sup>.

If the fact is one which *should have been disclosed*, its omission on grounds of mistake, ignorance, accident, or forgetfulness cannot be taken into consid-

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(25) Reese Silver Mining Co. vs. Smith, L. R., 4 Eng. App., 64. Natl. Exc. Bk. vs. Drew, 2 MacQueen H. of L., 103. Atwood vs. Wright, 29 Ala., 346. Bennett vs. Judson, 21 N. Y., 238.

(26) Colter vs. Morgan, 12 B. Mon., 278. Townsend vs. Coales, 31 Ala., 428. Drew vs. Clarke, Cook, 374. Broadwell vs. Broadwell, 1 Gilman, 595.

(27) Kerr on Fraud & M. Pearsoll vs. Chapin, 44 Penn., 9.

(28) Carroll vs. Rice, Walker's Ch., 373. Disbrow vs. Jones, Harring. Ch., 102.

(29) Hartford Prot. Ins. Co. vs. Harmer, 2 Ohio St., 452.

(30) 9 B. & C., 577. 4 Met., (Mass.) 381. 2 Kent Comm., 482.

(31) Young vs. Bumpass, 1 Freem. Ch., 241.

eration; it is, therefore, immaterial that concealment may not have been willful or intentional, or with a view to private advantage<sup>32</sup>.

Concealment of a fact is not material if the statement of that fact would not have induced a party (otherwise desirous of entering into the transaction) to abstain from it<sup>33</sup>.

Matters open to the exercise of judgment by both contracting parties, need not be mentioned; nor what the underwriter already knows, or what he is bound to know, or what he waives to be informed upon<sup>34</sup>, or that which is of a public and general nature.

The underwriter assumes the risk against fire on the hypothesis that nothing unusual exists enhancing it, beyond the perceivable physical hazard, as, that the building is not already on fire or endangered by fires raging contiguous thereto<sup>35</sup>. If the building offered for insurance had previously been on fire, silence on such a material circumstance amounts to a fraud, and operates to make the contract void<sup>36</sup>; but incendiary attempts *after* the execution of a policy, need not be reported to the company, the object of insurance being protection, even from the incendiary's torch<sup>37</sup>.

Silence on rumored attempts to burn the property offered for insurance, when the evidence is conclusive that such rumors were in possession of the applicant, is always fatal to the claim, even though the inquiry be not made by the underwriters; such material circumstances are never to be withheld<sup>38</sup>.

If we now rule out from our consideration the varied and often contradictory decisions on the subject of insurance contracts, it will be for the purpose of impressing our minds more forcibly with the purpose of the law by which those contracts are regulated. We shall then see most distinctly that between the insuring companies and their customers at large, there is legally required the highest degree of good faith and commercial honor. *A fortiori*, these qualities should be the pervading essence in all contracts that are made between one insuring company and another. Between the original insurer and the re-insurer, such honorable dealing should be supplemented by the utmost care in the communication of facts. What one party might consider immaterial, would, perhaps, influence the other party into a declination of the risk. Omissions of statement which might be excusable in a layman, would not be extenuated in favor of a professional expert. The courts hold strongly on this principle, although their views are sometimes modified by

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(32) *Cumberland V. Mu. Prot. Co. vs. Mitchell*, 12 Wr., 374. See *Kerr on Fraud Generally*. *Farnum vs. Brooks*, 9 Pick., 212. *Davidson vs. Moss*, 4 How., (Miss.) 673. *Walden vs. Louisiana Ins. Co.*, 12 Louisiana, 134.

(33) *Pulsford vs. Richards*, 17 Beav., 98. *Davis vs. Cooper*, 5 M. & C., 270.

(34) *Carter vs. Boehm*, 3 Burr, 1905.

(35) *Bufe vs. Turner*, 6 Taunt., 338. 2 Marsh, 46.

(36) *Beebe vs. Hartford Ins. Co.*, 25 Conn., 51. *Curry vs. Com. Ins. Co.*, 10 Pick 535. 1 Marsh, 471.

(37) *Clark vs. Ham. Mu. Ins. Co.*, 9 Gray, 148.

(38) *North Am. Fire Ins. Co. vs. Throop*, 22 Mich., 146. *Walden vs. Louisiana Ins. Co.*, 12 La. (O. S.), 134.

the character of the original insurer and his reputation as to fairness in loss settlements<sup>39</sup>.

The disclosure of matters of public record need *not* be made, unless the provisions of a policy expressly require it<sup>40</sup>; of course, a negative answer to a direct inquiry in this respect would vitiate the policy.

Where there is no warranty, but only a suppression or an omission to state facts, the importance of that which is suppressed or omitted, when an action is defended on the grounds of its materiality, must be decided by the jury<sup>41</sup>.

With a single exception, the law, as we have collated it in the foregoing, applies more particularly to the *inception* of a contract, and at the risk of taxing the patience of the Association, we will now briefly refer to sec. 549 of our Penal Code, which covers the ground very thoroughly as to fraud, or attempt at fraud, on the part of claimant, *after* the contract matures into a claim for loss by fire:

"Every person who presents, or causes to be presented any false or fraudulent claim, or any proof in support of any such claim upon any contract of insurance for the payment of any loss, or who prepares, makes or subscribes any account, certificate of survey, affidavit, or proof of loss, or other book, paper, or writing, with intent to present or use the same, or to allow it to be presented or used in support of any such claim, is punishable by imprisonment in the State Prison not exceeding three years, or a fine not exceeding one thousand dollars, or by both."

Our own reports furnish no test under this provision of the Code. As a rule, its introduction to the over pressing claimant results in compromises favorable to the adjuster, who with the fear of an expensive lawsuit, the variableness and uncertainties of juries before his eyes, closes his case by payment of just as little as possible, leaving the unscrupulous claimant or his sympathizing neighbors to howl and hurl invectives for all time to come, at insurance companies in general, and the interested company in particular. This thin-skinned principle, we trust, will soon give way to *aggressiveness* on the part of underwriters, who should not be content with merely defending on these grounds, but when a case of attempted fraud can be clearly proven, they should require the provisions of section 549 prosecuted at the hands of a district attorney, with associate counsel, if necessary, *to the bitter end*, and should place an everlasting veto upon this conscienceless raid upon the companies' coffers whenever the slightest pretext exists for making a claim. Of all the diseases that afflict the body politic, one of the most noxious is that which has been fostered by the careless condonation of attempted frauds on the insurance companies. This disease is spreading to the core of the business, and can be arrested only by methods of cure as radical as its own condition. While underwriters are content with a merely defensive policy,

(39) Bowery Fire Ins. Co. vs. N. Y. Fire Ins. Co., 17 Wend., 359.

(40) Fletcher vs. Commonwealth Ins. Co. 18 Peck., 419. Hill vs. La Fayette Ins. Co., 2 Mich., 476. Norwich Fire Ins. Co. vs. Boomer, 52 Ills., 442.

(41) Sussex Co. Ins. Co. vs. Woodruff, 26 N. J., 541. People vs. L., L. & G., 2 N. Y., (S. C.) 268. Gates vs. Mad. Co. Mut. Ins. Co., 2 N. Y., 43.

the chances of successful spoliation are enormously in favor of the fraudulent claimant. It is not sufficient that his claim be defeated, he should himself be placed in the position of a defendant in an action at law. Of course, where the fraudulent claim is not of a felonious character, it would be difficult to inflict any punishment on the claimant beyond the disallowance or defeat of his claim; but whatever may be the legal bearings of this question, it is in the highest degree incumbent on the underwriting fraternity to reject all idea of compromising fraudulent claims, and in this way they may frustrate the perpetration of those cowardly, thieving practices to which our language has given the generic name of Fraud.

Respectfully submitted,

L. L. BROMWELL.

Essay read by L. Beck, September 16th, 1879.

## MORTGAGE INTEREST.

*To the Fire Underwriters' Association of the Pacific Coast:*

GENTLEMEN—Having been honored with the commission to write an essay on "Mortgage Interest," I hereby respectfully submit to you the following report on above subject:

Admitting that many points laid down in this report (especially those concerning the general rules and conditions of insurance on mortgaged property) are fully known to all the members of this Association, still there might be some decisions on the above mentioned subject which are not generally known and which therefore will be of interest to them. Mortgage insurance proper is simply debt insurance, and where the policy issues direct to the mortgagee on his interest, reserving the right of subrogation, it simply means to guarantee the assured the face of the policy, reserving the right of a like amount of interest in the mortgage or assuming the whole and paying the difference—this by special agreement only. The "consideration" named in such a contract is not only the premium but also the mortgage and note held by the assured.

But when policies issue to mortgagors with the usual clause, "Loss, if any, payable to mortgagee," the consideration is the *premium only*, and the guaranty of the company is to stand between the assured and the mortgagee in case of the destruction of the insured property by fire; and I do not believe any court of ordinary acumen would decide that the assured should in addition convey to the underwriter the cinders, ashes and ground left after the destruction of the property so insured, all subrogation clauses in policies and agreements with mortgagees to the contrary. The policy in this case becomes an *indemnity against loss* as in any other, and who ever heard of a company demanding a conveyance from the assured of all that remained after a

fire as a partial reimbursement of its loss? In fine, does it make any difference with the rights of a company whether loss money is paid to the assured, his assignee or mortgagee? Is not the "consideration" of the contract the same in all cases?

A mortgagee has an insurable interest and can take out a policy in his *own* name, and as the owner can at the same time insure, the property may become too heavily covered, and this additional hazard is one of the considerations of the subrogation of the mortgagee's interest to the company, and the policies ought to contain the following clause:

"In case of loss under this policy the assured shall assign to this Company an interest in said mortgage equal to the amount of loss paid."

It would be advisable not to insure the mortgagee's interest direct, leaving out the name of the owner. In case of loss, caused by any act of negligence, incendiarism, etc., of the mortgagor, the company has no right to refuse payment to the mortgagee, because the latter has no control over the insured property and is not responsible for the doings of the mortgagor.

As an apt illustration of the principle of subrogation by mortgagees to assuring companies, I would cite a case from the records of the Nevada courts growing out of the great fire of 1875. One of our Eastern agency companies had a policy on the property of "A" with "loss, if any, payable to Mme. B." As a result of the little blaze inaugurated through the too free use of coal oil (or candles), by the unfortunate "beauty of the hill," the building of Mme. "B.," so insured, was destroyed—"nothing left but the ground." The adjusted loss was \$800, and when the company came to payment, they, under the subrogation clause in their policy, demanded an assignment by the mortgagee (and payee under the policy) of the note and mortgage held by him on the property, which was assented to and duly recorded, and the loss paid, the company taking receipt of assured and payee, as is customary in such cases. Demand for payment of note by mortgagor was frequently made, but refused. At maturity of note and mortgage the company bring suit in foreclosure, obtain judgment and sell the property under Sheriff's hammer, notwithstanding a homestead had been filed against the title by the assured and a new building erected since the fire. The company received from the Sheriff the amount of loss paid together with 2 per cent. per month interest and costs of foreclosure, including attorneys' fees. In other words, the company took the place of original mortgagee and recovered under all the provisions of the Mortgage Contract.

"The question of 'consideration' was not set up by the defense, otherwise the judgment of the Court might have been adverse to the company," was a remark of the company's attorney, a man learned in legal lore, and once at the head of the State judiciary of Nevada; from which your essayist would infer that the company, in paying this loss, did so legally upon the original *premium* consideration, and not upon any expectation of reimbursement *by the assured* for any moneys advanced to the mortgagee as the purchase price of the property insured.

The only "consideration" of which the courts would take cognizance was the premium which the owner paid to the underwriter to *protect* and *indem-*

nify him against loss and damage by fire to the property insured, *not to advance* moneys to pay the mortgagee and ease the stress usually following upon the footsteps of a destructive fire, the said moneys to be returned to the indemnifier from the sale of what little remained.

From the *Western Insurance Review*, page 383, June, 1879, I quote the following decision, bearing on the subject of "Rights of Mortgagee," in the case of *Graham vs. Phoenix Ins. Co.*, in the New York Court of Appeals:

"Defendant, Ellen E. Gleavey, executed a mortgage to the plaintiff covenanting to keep the buildings on the premises insured and to assign the policy to him, and in default that the plaintiff might do so at her expense. She afterwards conveyed the premises to the infant defendant Jack, whose guardian she was. While Jack owned them, plaintiff, on his own motion, procured an insurance in defendant, Phoenix Insurance Company, insuring Jack as owner and himself as mortgagee, loss payable to mortgagee. In an equitable action against the three, *held*, that Gleavey could not be held, individually, to furnish proofs of a loss, a fire having occurred, nor as guardian would she be under any greater obligation to do so than her ward would be if an adult. The latter could not, by his contract with the insurance company, bind her to furnish proofs. However embarrassing, difficult, or impossible under these circumstances, it may be for plaintiff to furnish proofs, he cannot compel one to relieve him who is under no legal obligation to do so. The obligation, if any, is simply a moral one of which the law does not take cognizance. Nor has the Court in this action and for such reasons any power to cut off the insurance company's defense of a short limitation of time for the commencement of an action upon the policy. If such defense does not exist, this action is superfluous; if it does, the Court cannot take it away. Nor can there be any recovery here upon the policy, for such action is one of law, and this action is based on the assumption that proofs have not been furnished."

Judgment was given for defendants.

I clip from the *Insurance Times* of July, 1879, page 457, the following:

"A company issued a policy in the sum of \$1,000 to a certain party upon a dwelling-house property, loss, if any, payable to two separate parties, who held mortgages upon the property—\$3,000 each. These mortgages were filed for record simultaneously, being of the same date. The property was destroyed by fire during the currency of the policy. How shall the money be paid to the mortgagees, there being no priority of record of the mortgages? Both of the mortgages being of the same date, for the same amount, and filed for record at the same time, must be held to be simultaneous, and the loss being made payable to the mortgagees without any special distinction, it only remains for the company to pay the amount to the parties named in one sum taking their joint receipt for the same, leaving it to them to make such distribution of the money as they may agree upon.

Usually, when loss is made payable to a mortgagee "as interest may appear," and, as is sometimes the case, such loss is made payable to two mortgagees indiscriminately, holding mortgages of different dates and filed for record at different times, the interest of such mortgagees will depend upon

the priority of record of the mortgages, that first of record having the priority of right to the insurance money, the company being subrogated to so much of the mortgage securities as it may pay to the mortgagee. The phrase "as interest may appear" governs in this last case. The interest of the first mortgagee appearing as a prior claim, it is so regarded in law.

The mortgagee's interests, whatever they may be in the policy, arise from and are solely contingent upon the rights of the insured under the terms and conditions of the contract. If the insured have no rights, from breach of conditions or other cause avoiding the policy, the mortgagees have no right not possessed by the mortgagor at the time of the loss. The direction in the policy, loss payable to them, is not an assignment of the insurance, but is simply a direction in advance as to the mode of payment of whatever may be due to the insured at the time a loss occurs; Sec. 16, Peters 495-6, Gray 129, 8 Id. 28, 17 N. Y., besides many others, showing that the mortgagees have no recourse outside of the mortgageor.

The National Board form of mortgage clause for insurance companies is a modification of the latest Blodget clause, as it is called, and is as follows:

It is hereby covenanted and agreed, by and between this company and the mortgagor or owner named in this policy (or any assignment thereof approved by this company) and the mortgagee, also herein named, that the said mortgagee's interest is the first mortgage on said property, and that this special agreement is to protect the interest of said mortgagee only, and that this policy, or any part thereof, shall not be invalidated as to such mortgagee only, by any alienation of the title to the property, or any change of occupation, or increase of hazard, or by any act or neglect of the owner, unless the same is within the knowledge of said mortgagee. It shall be optional with this company to require proof of loss of the owner, and to adjust the loss with him, and such adjustment shall be binding upon the mortgagee the same as if this special agreement had not been made.

It shall also be optional with this company to cancel this policy and terminate the insurance at any time, by refunding or tendering either to the mortgagor or owner, or to the mortgagee, or to the representative of either of them, a ratable proportion of the premium that has been paid; or, if the premium is unpaid, the insurance may be terminated by notice to either of said parties, or to the representative of either of them, that this policy is cancelled for non-payment of premium. Provided, however, that this policy shall continue in force for the benefit of said mortgagee only for ten days after notice to said mortgagee of such cancellation, and shall then cease. If, however, insurance shall sooner be obtained in some other company or companies, this policy shall then at once be void as to the mortgagee also.

The said mortgagee shall notify this company of any change of occupancy, change of title, or any increase of hazard whatever, as soon as the same shall come to his knowledge, and pay any additional premium required at the established scale of rates for such hazards.

Whenever a loss shall occur, and this company shall claim that the policy is void as to the mortgagor or owner, in whole or in part, and would be void as to the mortgagee if this special agreement had not been made; or if there

is other insurance on said property to the owner, not payable to the mortgagee, then before this company shall pay the mortgagee any sum for loss under this policy, the mortgagee shall assign and transfer to this company an interest in all securities held for the mortgage debt, subrogating this company to all the rights of the mortgagee in the mortgage, and securities to an amount equal to the money to be paid to the mortgagee by this company in excess (if any) of such amount as this company would be liable to pay to the mortgagor or owner if this special agreement had not been made.

And when this company shall claim that the policy is wholly void as to the mortgagor or owner, then this company may at its option pay to the mortgagee the whole sum due and to become due on said mortgage and securities, and thereupon the mortgagee shall assign and transfer to this company all such mortgage and other securities, with full power to this company to collect the same in the name of the mortgagee or otherwise (but at the cost of this company). And in all cases of subrogation, the mortgagee shall covenant and agree, in such assignment, that the amount claimed of this company is a valid and subsisting debt under such mortgage and securities.

It is hereby further covenanted and agreed that the foregoing conditions shall form a part of this policy, and that the regular conditions thereof shall in all other respects remain in full force.

In conclusion, I would refer to a very interesting article in the *Coast Review*, October, 1877, page 384, by "Occidental," to which the *Coast Review* replied in their issue of December, 1877, page 484.

Respectfully submitted.

L. BECK.

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F. F. Stone, Agent, Lamar and Allemania Insurance Companies.

C. Mason Kinne, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.

P. Outcalt, Secretary, Western Insurance Company of California.

J. C. Jennings, General Agent, Manufacturers' Insurance Company.

Geo. E. Butler, General Agent, S. F. Agency Phoenix Assurance Company of London, British America, and Western Assurance Companies of Canada.

Chas. D. Haven, Secretary Union Insurance Company.

E. W. Carpenter, Special Agent and Adjuster, Fireman's Fund Insurance Company.

†W. N. Olmsted, 62 Cedar St., Room 10, New York City.

Geo. W. Dornin, with Fireman's Fund Insurance Company.

W. P. Thomas, Special Agent and Adjuster, South British and National Insurance Companies.

W. W. Haskell, of firm Brown, Craig & Co.

Louis Mel, Special Agent and Adjuster, Royal, Norwich, Union, and Lancashire Insurance Companies.

J. P. Cox, General Agent, Standard Insurance Company.

†J. G. Edwards, Editor *Coast Review*, 320 California St., San Francisco.

†A. Hill Jack, General Manager, National Fire & Marine Insurance Company of New Zealand.

R. E. Drake, Special Agent and Adjuster, Jacobs & Easton Agency.

R. H. Naunton, Special Agent and Adjuster, Commercial Union Assurance Company.

Jno. C. Staples, Special Agent and Adjuster, Hutchinson & Mann Agency.

T. E. Pope, Special Agent and Adjuster, Aetna Insurance Company.

S. E. Strickland, Special Agent and Adjuster, Butler & Haldan Agency.

S. B. Riggen, Special Agent and Adjuster, Connecticut Fire Insurance Company.

Alfred Stillman. General Agent, Manhattan Fire Insurance Company, New York.

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\* Deceased.    † Honorary Member.

PROCEEDINGS  
OF THE  
FIFTH ANNUAL MEETING  
OF THE  
FIRE UNDERWRITERS'  
ASSOCIATION OF THE PACIFIC,

HELD AT

SAN FRANCISCO, CALIFORNIA, FEB. 15, 1881.

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*Printed by Order of the Association.*

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414 Clay Street, San Francisco.  
1881.



# PROCEEDINGS

OF THE

## FIFTH ANNUAL MEETING

OF THE

## FIRE UNDERWRITERS' ASSOCIATION

### OF THE PACIFIC.

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The Fifth Annual Meeting of the FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC was held in the rooms of the Board of Fire Underwriters' of San Francisco, at 11 o'clock A. M., on the 15th day of February, 1881.

George W. Spencer, Esq., President, in the Chair.

Present during the meeting: Messrs. L. L. Bromwell, Geo. F. Grant, Z. P. Clark, Wm. Sexton, A. D. Smith, Geo. W. Spencer, E. Brown, Jas. D. Bailey, A. R. Gunnison, Geo. D. Dornin, H. W. Snow, E. E. Potter, C. T. Hopkins, A. P. Flint, Oliver Hawes, D. J. Staples, Wm. Frank, C. M. Nichols, C. J. Van Tassel, T. A. Mitchell, C. Mason Kinne, E. W. Carpenter, W. P. Thomas, W. W. Haskell, Louis Mel, J. G. Edwards, John C. Staples, W. G. Elliott and J. W. Staples.

Minutes of previous meeting read, and no objection being made, were ordered to stand approved as read.

#### TREASURER'S REPORT.

*Fire Underwriters' Association of the Pacific, in account with J. W. STAPLES, Treasurer.*

1880.	Dr.	
Feb. 17.	Balance on hand and in Bank.....	\$180 93
1881.	Received for dues and fees.....	175 00
Feb. 15.	Received for sale of books.....	4 50
		\$360 43

1880	Cr.	
Mch. 15.	Paid J. W. Staples, Secretary.....	\$50 00
" "	" A. P. Flint, bill for postal cards.....	2 20
April 22.	" J. G. Edwards, 2 copies <i>Coast Review</i> .....	50
April 23.	" C. C. Hine, <i>Monitor &amp; Law Journal</i> .....	8 20
" "	" <i>Spectator Co.</i> .....	3 20
" "	" Stephen English, for <i>Ins. Times</i> .....	3 20
" "	" Postal Orders on above.....	30
" 30.	" <i>Coast Review</i> .....	2 50
May 28.	" H. S. Crocker & Co., bills, Mch. 9, April 17, May 17.....	5 00
June 1.	" D, Hicks & Co., bills, May 10th & 24th.....	8 75
July 24.	" Geo Spaulding & Co., bill, June 21.....	160 00
Nov. 15.	" H. S. Crocker & Co., bill, Aug. 6.....	2 00
Feb. 12.	" C. W. Gordon, bill, Feb. 12.....	2 40
	Balance.....	112 18
		————— \$360 43
	Cash on hand.....	\$32 53
	" in Bank.....	79 65
		————— \$112 18

J. W. STAPLES, Treasurer.

E. & O. E.

No objection being made, the report was ordered approved as read.

On motion, the Secretary was directed to file a voucher with the Treasurer for \$50, as a very modest token of appreciation of faithful services rendered during past year.

President Spencer then delivered his annual address, as follows:

### PRESIDENT'S ADDRESS.

*Gentlemen of the Association:*

Upon the occasion of this, our Fifth Annual Meeting, we are again met together to affirm our interest in its proceedings and encourage the future success of the Association.

The objects of this organization are well understood. That good results have been accomplished and abuses reformed through its agency is believed. We know that many questionable practices that were at one time common on this coast are no longer a scandal to our profession or a reproach to the name of adjusters. Our coming together socially for the interchange of views and experiences has resulted in a friendly feeling towards, and just appreciation of each other, that is bearing good fruit.

That our success has not been so pronounced or our influence as great as was anticipated is due not so much to a lack of interest in the Association as to other causes. The field embraced in the Pacific department, although wide in extent, is limited in the matter of business. The officers of *all* the companies transacting business on this coast are located in this city, and every member of this Association resides in the immediate vicinity. The field is a common one, and our experience is largely the same. We form, as it were, one large insurance family; not perfectly harmonious, it is true; how many large families are? but living together, with no absent members to return at odd or stated periods, with accounts of strange doings and interesting work in other fields. We see the same faces daily. We know the complaints of each of our ailing brethren and the remedies that they have taken or had prescribed for their relief. Information travels quickly and is soon the common property of all, and "street gossip" discloses the hidden transactions of the uncommunicative members of our family.

We have no outside material to draw upon for this Association. Its members are recruited from our own midst; and, while it is undoubtedly a most pleasant feature of our annual meetings that only familiar faces are present, we feel that it would add much to the interest of the proceedings, and that many novel and instructive papers would be added to our contribution were we able to call upon our friends from abroad.

Appreciating this disadvantage that we labor under, I make the suggestion that such of you as are in correspondence with our friends in the East, will request some of them to furnish us with papers, to be read at our next annual meeting. I believe the request would be cheerfully responded to in many instances, and result in the presentation of new topics for our consideration. We dwell too much upon the same subjects year after year. Our thoughts and opinions have been expressed so frequently that they are known to you all. We must go abroad for new arguments, and obtain the experience of those engaged in a different field.

Another cause that has contributed largely to dwarf the prominence of this Association, when compared with similar organizations elsewhere, is the fact that the Board of Underwriters of this city has ably performed a great part of the work that otherwise we should have taken hold of.

The dissolution of the National Board of Underwriters was followed at the East by the wildest demoralization in the matter of rates, and the abandonment on the part of many companies, of every safeguard considered essential to sound underwriting. We all know the result of the reckless competition of the ensuing years. Insurance literature for that period consists of one long continued lamentation over the demoralization and waste of capital and assets; and the list of stranded and shipwrecked companies furnishes instructive if not agreeable reading.

At such a time as this the value of an organization like ours is manifest. We are all familiar with the noble work accomplished by the Association of the Northwest in those years of darkness, and the strength and prominence it has attained in performing it. The meeting together of the ablest minds of the profession, the clear trumpet notes of warning that were sounded and the contribution of information and experiences pertaining to an extended field,

have resulted in the reform that is now setting in, and giving us a series of the most valuable papers on topics relating to our profession.

Upon this Coast we have not had this experience that they have passed through; and, although some of our members do not belong to the Board of Underwriters, I think you will all admit that to that organization is due the fact that rates have been maintained, and that the business of the past ten years has proved fairly profitable.

But notwithstanding the fact that our field is not extensive, that the resources for membership are limited, and that we are relieved of much of our work by an older and more influential organization, there is still a great deal that we can do.

Upon such of our members as are engaged more especially in the field, and are thereby brought into personal relations with agents, depends largely the success of our business. To your experience and information we look for thorough supervision of agencies, the inculcation of correct practices and the maintenance of the dignity of our calling. It is in the field that the best efforts of this Association are manifest, and in that direction we should in future give our best endeavors. Competition with us, as elsewhere, is sharp and close, and each of us is ambitious to obtain his full share of business. But let us compete for it honorably, each one exerting his best ability, and using every advantage he possesses to that end. It is this spirit that should animate us. Let the friendships that are formed at these reunions strengthen and grow in our business relations. Stand by each other. Defend the good name of a comrade, and not lend a willing ear to tales of wrong doings by a brother member.

The reports of our various committees, embracing as they do so many important subjects, leave but little for me to embody in this address. Our annual meetings taking place at this time enable us to review the results of the year just past.

Without desiring to enter into the matter of statistics, which pertain more particularly to the report of the committee on that subject, it will perhaps be interesting to you to refer to the very valuable statement published in the *COAST REVIEW* for February.

The Insurance Commissioner's reports have furnished us with information of business transacted in California only; but this year we are enabled, through the enterprise of Mr. Edwards, to review the business of the entire Pacific Coast for 1880.

We find from this statement that—

Eight California companies received in premiums, \$1,151,027.87, and paid in losses, \$425,659.27, a ratio of 37.9; fifty-five companies of other States received in premiums \$1,348,201.81, and paid in losses, \$500,874.54, a ratio of 37.2; twenty-four foreign companies received in premiums, \$2,155,943.30, and paid in losses, \$746,810.54, a ratio of 34.6. Total received in premiums, \$4,655,172.98; total paid in losses, \$1,673,344.35; a total ratio, 35.9.

We have no data for previous years by which we can make comparisons, but the ratio of losses to premium receipts is probably lower than the average for the past ten years. It is not so low, however, that we can afford to reduce

our rates, and it should be the aim of every member to maintain them at the present standard.

In the matter of insurance legislation we are threatened with a number of most obnoxious bills during the present session of our Legislature. That they will not be adopted and disgrace our State by becoming laws, is the earnest wish of all who desire the public welfare and the protection of our interests.

Senator Brumsey's bill, introduced in the Nevada Legislature, has passed the Senate, and is now in the hands of the Assembly. Its features are familiar to most of you, and are not objectionable to the majority of the companies transacting business in that State.

Arizona has passed a valued policy bill, which is awaiting the signature of the Governor to become the law of that fertile territory. Should it be adopted a number of companies that are now hesitating about entering that field will undoubtedly establish their agencies without further delay (?).

As Chairman of a Special Committee to solicit contributions to our library fund I plead guilty to an inexcusable neglect of my duties. I trust that the matter will not be allowed to drop, but that a more efficient Chairman will now be appointed, and funds obtained for this desirable object. We have a small but valuable collection of insurance works, and as they are unprotected by insurance, I make the suggestion that we take some of our own medicine in the form of a policy.

Our Association now numbers sixty-three members, and from the renewed interest that has of late been awakened, I look for an increased membership and much progress during the current year. The reduction in the number of our regular meetings has been beneficial. A larger attendance was present at our last quarterly meeting, and a greater interest taken in the proceedings than at any of our monthly gatherings held during the past year. To-morrow evening we will give our first annual dinner, a new feature with us, which, I have no doubt, will prove a success and be the means of cultivating a spirit of good will amongst us that is one of the prominent objects of this Association.

Gentlemen, I now invite your attention to the reports of committees and the addresses that will be presented to you.

Mr. Clark—Mr. President, I have just learned of the death of the wife of Mr. W. L. Chalmers, one of our associates.

President—gentlemen, your attention will be called to this subject later, when suitable recognition will be taken. I will now call on Mr. Bailey, the Chairman of the Committee on Forms of Policies.

Mr. James D. Bailey then read his report:

## FORMS OF POLICIES.

*Mr. President and Gentlemen of the Association:*

At our last annual meeting, Mr. Potter of the Committee on Forms of Policies, presented for our consideration, as you will remember, a form of printed conditions for a policy, together with some pertinent remarks concerning certain changes embodied therein which he considered an improvement upon the older forms. To-day, under this same head, I shall ask your attention to a few remarks concerning the "written form;" and without going into elaborate details, which the brief time allotted for our various reports forbids, will simply call to your minds one special feature of the subject matter, namely, the growing necessity of a more careful wording of the written contract.

At the annual meeting, in 1879, of the Fire Underwriters' Association of the Northwest, in his remarks on the future of the Association, Major C. E. Bliven said: "The forms to be used in the written or descriptive part of the policy, is a subject within the scope of our jurisdiction and daily work, and one that, while it has had some attention, has not yet received that which its great and growing importance demands." I recognize in this assertion, Mr. President, a fact that is of growing importance also to the insurance interest on the Pacific Coast, and one which we would do well to consider more in our daily practice. How often do we find, when called upon to adjust losses, a written contract so loosely worded as to almost preclude the possibility of an amicable settlement, and oftentimes in unwarrantable conflict with the printed conditions of the policy. The subject of adequate rates has been so persistently brought forward as the basis of insurance profit, that it has become almost the one idea as regards the insurance contract; but, I am inclined to believe that a more careful attention to the written form used to describe and locate the property covered by the policy, and a more direct understanding with the insured at the time of its issue, will save to our companies, in reduced losses and litigation, as much money as is made from the actual profit upon premiums, to say nothing of the increased satisfaction of the insured with the adjustment of his claim. When we come to reflect upon the general indifference with which the insured regard their policies of insurance, as compared with other important documents, we cannot, I think, fail to see the great necessity on the part of the insurer for a nearer intercourse and more searching inquiry as to the nature, value and precise locality of the risk to be assumed, in order that the written portion of the policy may be in harmony with its printed conditions and at the same time fitly express the intention of both parties, leaving nothing to be inferred in the event of loss.

Various theories have been advanced as to the cause of this indifference on the part of the insured, and comparisons have been made showing with what grave attention deeds to property, mortgages, leases, etc., are scanned, oftentimes by expert legal talent, before final acceptance; but we must remember that all such documents are in their nature *final*, while the insurance policy represents simply a contingency which may never occur, and is, moreover, in many cases received at the hands of a broker, who is supposed, by the insured, to have supplied the insurer with full particulars as to the risk assumed.

But is this always the case? How many of the insured know what they agree to, in accepting a policy? Or, to look at the matter in a proper light, do they agree to anything, in many cases, beyond paying the premium? In life insurance, the applicant makes a formal application in his own behalf, and agrees to be bound by the statements he makes therein. In fire insurance, in a great measure, the application is rather the exception than the rule; a man wants a certain sum on his property and he tells the broker to procure it for him; a memorandum is filled up in the company's office, merely setting forth the amount required, with some vague statements as to ownership, location, &c., and the policy is made out in the usual order of business and delivered to the broker; and so keen is the competition and so varied the brokerage interest as to commissions and liberality of contract, that the care which should be bestowed on the written portion of the policy is, in a great measure, ignored, and the exact meaning of the contract oftentimes left for the adjuster to determine, who frequently finds, after the flames have lent their emphasis to the hitherto harmless document, that a certain modest little word or phrase has suddenly leaped into startling significance, and the assured having now found it convenient to read his policy, the adjuster is confronted with that vexatious problem under an ambiguous contract, how best to reconcile that which is in itself irreconcilable. The inevitable result is a humiliating compromise or possibly a suit at law; but in either case, the feelings of both parties are generally anything but subdued, and the insured too often suspects the insurer of being guilty of sharp practice.

By a reference to facts bearing upon the early history of underwriting, we find that disputes over the written portion of the policy were rare, and so different a state of affairs from the present can only, I think, be explained by the fact that the insurer and the insured came more closely together, and the contract thus made was an expression of joint understanding; and greater care being taken to clothe the written form in language plain and clear, the insured was seldom mistaken or misled as to the burdens or duties imposed upon him. We know it to be a well settled principle of law that the words of a policy are to be taken most strongly against the insurer, upon the theory "that as the insurer makes the policy and selects his own language, he is presumed to have employed that which expresses the real intention of both parties as to the actual contract entered into, and has left nothing to be inferred or supplied by reference to extraneous matters." Of the importance, then, of having the transactions between the insurer and the insured placed on a mutually equitable basis there can be little doubt, and a reform in this direction would be of great value. It would place the company and the policyholder in a proper position towards each other, and would conduce to a more careful study of the policy by the one, and a better understanding by each, of their respective duties and obligations, thereby decreasing, perhaps, in some measure, that obnoxious State legislation which is gradually creeping upon the insurance interest in the shape of laws calculated to draw sharp lines between the insurer and the insured, instead of harmonizing the interests of both.

Mr. Dornin—Mr. President, it has been suggested that it

might be in order for this Association to make some recognition of the work by Senator Brumsey, in maturing and finally passing so excellent a bill as the measure which was embodied in your report, and I make the motion that the President and Secretary be requested to telegraph to Senator Brumsey about as follows:

"The Fire Underwriters' Association of the Pacific, now holding its annual meeting, beg to congratulate you on the passage of the bill introduced by you concerning insurance companies. Nevada deserves credit for placing upon its statute books so commendable a measure."

The motion was duly seconded, carried, and the above telegram sent as suggested.

On motion, adjourned until 1.30 P. M.

Pursuant to adjournment, the Association was called to order at 1.30 P. M., President Spencer in the chair.

President—There are several new faces which were not here this morning, and I shall request Mr. Bailey to read his address again for the benefit of those who were not here at that time. Whereupon Mr. Bailey read his address.

President—I see we have with us the Chairman of the Committee on Local Agents. We looked for his report this morning, but were disappointed. We shall be pleased to hear from Mr. Sexton.

Mr. Sexton, after a few complimentary remarks, on Mr. Bailey's report, delivered the following address on

### LOCAL AGENTS.

*Mr. President and Gentlemen of the Underwriters' Association of the Pacific:*

Your Committee on Local Agents wish to say that this question has been written on so often by leading insurance men of the country, and has been so especially well handled by the former committees of this Association, that we cannot hope to offer anything either new or instructive, and only attack the subject because a report is expected.

The very able report read at our last annual meeting by our worthy chairman, says, "*The subject of local agents is a broad one.*" This we fully endorse, and add that, under the agency system of fire insurance as now conducted,

the whole superstructure rests on the local agent. He represents its purposes and benefits to the community, solicits and surveys the risks, sees to the value of property and proportion to carry, judges of the moral and physical hazard, and collects and forwards the premiums—at least a majority of agents do, and all would if of right sort of men and properly educated.

The lady who, when asked by a colporteur if her husband was a Christian, replied, "No, sir; he is an insurance agent;" may not have been joking, as an agent, whether special or local, has enough rough experiences to knock all early inbred piety out of him. The special, being bumped over rough roads on rickety stage wagons or backbreaking buckboards, rested in smoky bar-rooms, stowed in cold bedrooms in beds ill-kept and sheets looking as if they had been in use on the Yuba, catching slickens, finding his company's best agents captured by the enemy and his good risks gone where the woodbine twineth, can hardly be expected to praise Him from whom all these blessings flow.

The local agent having gone to church, played billiards, talked sweet and laid awake nights to secure a good premium-paying risk, and has the application returned with the reply that the company don't write powder mills, don't have the proper Christian feeling as he sees a commission that would buy Mrs. A. a good Christmas present or a spring bonnet, vanish because the home office don't understand the merits of this particular powder mill.

The manner of appointing and instructing local agents might be divided under as many heads as an ordinary sermon, but we will only try to point out some of the shortcomings and failings in selecting them. Under instructions the special starts for Smithville. On arriving, finds only one store in the place; makes a bee-line for it, intending to interview the proprietor, wondering at the same time if he will be successful in placing his agency in the right kind of hands, and will his be the only agency in the town. The latter question is settled by finding the front of the store ornamented with the insurance signs of all nations—all kinds of specimens of the painters' art, from a Yo Semite view to a Maori picnic, with all the figures known in animal life or heraldry thrown in, and capital and assets represented to an amount about equal to the National debt. An interview with the insurance representative of Smithville discloses that the special of the Grizzly Bear dropped in one day while the mail was being changed, left his card and promised to send an agency outfit, which arrived in due time, and all except the sign is stowed on an upper shelf or under the safe. Next came the special of the American Eagle, who, upon seeing the sign of the Grizzly Bear, suggested that the insurance representative take his company; he did so, and the sign is on the front of the store and supplies under the safe to keep company with those of the Grizzly Bear. Next came the specials of the Unicorn and Kangaroo, whose signs are nailed on the building and supplies shoved under the safe to keep company with the others.

Upon further interviewing the Smithville local, the special learns that insurance in that town don't pay; he has not insured anybody yet; could do lots of business, but the people don't come after it; thinks it would make business better to have a fire; they have not had one there since the town burned some six years ago, and then some of the people who lost their buildings

did not get the whole amount they were insured for, and he does not think it was fair; the hotel burned was insured for \$4,000, had cost \$6,000 ten years before; had not been painted but once since it was built, and then on outside only. Mr. Jones, a contractor and builder, one of the most reliable men in that neighborhood, offered to rebuild it for \$3,300, at which price he would make a fair profit, and this was all the company would pay, the adjuster even wanted to deduct something for the difference between a new and an old building, but hotel owner would not stand it; but insurance representative don't understand why the Company should not pay the sum, \$4,000, as they agreed to, and had been paid for. The fact that the building could be replaced for less than that sum was none of their business. No one saw the owner set fire, though it was not paying, and there were strong suspicions against him.

A half-hour talk convinces him that the contract was one of indemnity, and that when the assured got the amount of his loss he, if honest, should have been satisfied.

Does the agent carry any insurance on his stock?

Oh, yes.

What company?

Don't know; wholesale merchant in San Francisco attended to it for him; has not seen the policy; does it cheaper than his own company will, besides he did not have any bother making a diagram, or answering a whole row of questions about amount of stock on hand, sales or purchases.

Did he not send a diagram of his building and exposures?

No. When he was insured he happened to be in San Francisco; was asked by the book-keeper of wholesaler if his store was detached, said yes; supposed that detached meant no building adjoining; no more questions were asked.

Did he not say anything about the frame saloon 20 feet south, or the frame hotel 30 feet north, or the livery stable across the street 45 feet distant, or about the cotton lining, or the stove-pipe running through it and through the roof?

No; was'n't asked; answered no question excepting that the store was detached; did not sign an application; don't know what company, or what kind of a company, the insurance is in.

What would he do if a fire started in the hotel, stable, saloon or his own store?

Shut the doors and let it burn.

Why not try to save some of his stock.

That would void his insurance, make him trouble, and the value of any stock saved would be deducted from his policy; did not want to be bothered with adjusters; he don't pay for insurance to save goods for the companies.

Another half hour's explanation shows him that any stock saved belongs to the assured, and that the company pays the amount of the loss up to the face of the policy; he didn't know this, was glad Mr. Special called; what company did he represent; could he write at less rates than other companies and give longer credit; he might get some risks if he could take them lower and give a longer credit than other companies. If so, would take the company

and give it his own risk at same rate as now carried; thinks the exposures, cotton lining and stove pipe, don't cut anyfigure; has full confidence in his wholesale friend in the city, and if a fire occurs he will see that he gets his insurance. The company has taken the premium, and if his store burns ought certainly to pay for it; thinks rates are too high in the country, and that the country people have to pay for city losses.

In vain does the special refer to the records of the insurance companies on this point; can't convince him that he is wrong.

Special concludes to visit Smithville again before planting his agency.

Such is an example of the perplexities of attempting to place an agency in some of the small towns. In nearly all of them, and in the larger towns also it is not hard to find the agent who could do all the business if he could only underbid his opponents. Any merchant could undersell his brother merchants if he sold below cost, but a little time would put the sheriff's lock on his door, and a little time will put the name of the insurance company on the death roll that sells its policies below cost. We also find the pompous agent who could do all the insurance business in the county, but the people don't come in—they don't come in, sir.

Fortunately for us and for the companies we represent, we find in every town of any size agents whose business methods and knowledge of fire underwriting would do credit to managers, general or special agents; men who can use sound logic when discussing and advocating the question of insurance to their patrons, and the insuring public, who, when asked what benefit insurance bestows upon that portion of the community who pay premiums and have no losses, explains that insurance enables the merchant with a small capital to purchase and carry a much larger stock to accommodate customers, than he could without the security given by insurance. That it endorses his credit by taking the risk of fire. It assists the citizen to secure a home by becoming security for a large portion of the purchase money or cost of building. That it helps to build cities, improve farms, sail ships, move crops, serves as an endorser for not less than \$200,000,000 on this Pacific Coast to-day. That it enables the wheat, wool and wine growers to carry crops over for a better market, obtaining for them advances by becoming security. That it furnishes capital to farmers and buyers to raise and handle the enormous grain crops of our valleys from the time the ground is seeded until the grain is placed in the market, and furnishes competition through which the producer gets the very highest price by becoming surety for payment of loans, a warehouse receipt and an insurance policy being considered about equal to bullion as collateral. That it furnishes to prospectors security by which they can obtain capital to erect works and mills to extract the mineral wealth from our mountains; furnishes security by which the manufacturer obtains capital to carry on all kinds of manufacturing enterprises. In short, that were it not for the security furnished by insurance, commerce would come to a stand still.

He explains the principles of fire insurance as set forth in the regular form of policy, and shows that the conditions or instructions therein are the law of the contract, and are put in the policy for the benefit of the insured, that he may keep informed of his rights and not void his insurance.

That the condition that the loss shall be payable in 60 days from and after proofs of loss have been filed, gives the assured notice that he may make up and file his proofs of claim or loss without waiting for the company's adjuster, and at end of 60 days demand his coin. This gives the company time to investigate the cause of loss, and if fraud is discovered, to prepare to contest the claim. (Your Committee would here remark that, though nearly all fire policies now issued contain this 60 days' clause, it is not generally enforced; in fact too many losses are paid immediately upon adjustment and without discount.)

That the conditions in relation to losses which occupy a large portion of the "small print," often sneeringly referred to by men who prefer to use three hours criticising (abusing) them to one hour's study, are instructions to the assured as to the manner and form of making up his claim. They are so plain that there is no need of a claimant making a mistake or going wrong, and being given and agreed to in advance by the company are without question accepted. This saves the claimant the expense of counsel or the trouble of reading up law of contract; that the condition showing property covered or not covered under certain classes of insurance gives assured notice that a policy on one class of property does not cover another, and if he has any property not covered which he wants insured, he can find accommodating agents who will attend to it for him.

That the condition that a fire policy does not cover damage by lightning unless fire ensues, and then the damage by fire only, gives him notice to procure insurance against lightning if he wants it.

That the condition stating that if the property be so occupied as to increase the risk, or becomes unoccupied and so remains without permission, gives the assured notice that a policy on a building while occupied as a dwelling would be void if the building were occupied as a livery stable or Chinese wash-house, or became vacant, and warns him to call on the agent and have his contract changed to suit the changed condition of the property. If this condition were not in the policy, the holder could not recover for a loss on building occupied as a livery stable or Chinese wash-house, under a policy covering on a dwelling.

That the condition making it the duty of the assured to use his best efforts to save and take care of property at and after a fire, and fixing the measure of loss or damage at the actual cash value of, or cost of replacing or repairing the property lost or damaged at the time of the fire, gives the assured notice that it is his duty and his interest to save as much as possible, and to take care of that saved, as at least one-quarter of his risk is not insured, and he will have that much clear if saved, with the loss on the other in full, and that his first saving is for himself.

That the condition under which the policy becomes void through fraud or misrepresentation only repeats the law that fraud vitiates all contracts. Gives him notice that his statements made in relation to the property when applying for insurance must be correct; that fraud, misrepresentation or concealment on the part of either party, to an insurance or any other contract, of any material fact, or circumstance which should be known to the other party, makes such contract void in law.

That the condition that additional insurance will void the policy unless agreed to by all companies interested, is to prevent over-insurance, and is in accordance with public policy, and if not for the direct benefit of the assured, is certainly for the protection of adjoining or adjacent property owners.

That the condition that property is only insured in the locality stated as described in the policy, unless removed to save it in case of fire, gives the assured notice to call at the office and have the change endorsed on his policy, that the company insuring him may have notice to procure reinsurance if necessary for their customer's security.

That the condition that a change of ownership voids the policy, gives the assured notice, of what he ought to know, that a contract with A is not a contract with B, and a company might insure property owned by A on which the community would not want an insurance carried for B.

That the condition that gunpowder, nitro-glycerine, phosphorus, or the other dangerous compounds named in fire policies, shall not be kept on premises or in stock insured without permission endorsed on the policy, is for the information of the million that such compounds are dangerous, and if such articles are necessary in the assured's business or vocation, he shall inform the agent and get the benefit of the companies' experience, as to where and in what quantities they shall be kept.

That the provisions for appraisement are to expedite settlements, giving the assured a short and ready remedy for the settlement of any dispute, and is as much for his benefit as for the company.

That all and any conditions therein which assist in getting at the exact loss and save the company from being swindled, are for the benefit of the assured, because all expenses and losses must be paid out of premiums collected, and the community is interested in the company not paying fraudulent claims.

He shows to his clients that the present form of policy is satisfactory to merchants and business men who insure millions, and is only found fault with by persons of small business experience, or by persons who were balked in trying to take advantage of an insurance company in case of loss.

He further explains to carpers who find fault with the large percentage of expense, as shown in company's statements, that indemnity has to be manufactured, that the premiums represent the raw materials and the loss-paying ability the manufactured article, and that the cost of producing is not any greater than in any business, and if Mr. Carper thinks he can get rich at insurance, he can get plenty of chances to invest in stock or to act as agent.

In answer to the claim set up by the advocates of valued policy laws, that when a man pays for a certain amount of insurance on property and the property is totally destroyed, he should receive the face of the policy, whether the property was worth that much or not. He shows that the rates of premium charged are based on the experience of companies, showing that only a certain per cent. of fires are total losses, and are not based on the probability of all losses being total, otherwise rates would have to be largely increased; and further, that when the assured gets the actual amount of his loss and all property saved, he receives all that the laws of right and public policy should allow him.

He attends to soliciting for insurance at all hours—every hour his time, every place his office—knows every person whose property is not insured, the value thereof and rate thereon with the amount of insurance it should carry; sees that the applicant is covered on all his property to the extent of two-thirds or not over three-fourths of actual cash value. Don't figure cash value at cost years ago, but makes deductions for wear and tear, want of adaptability to present uses, reduced cost of materials and labor, and such other causes as would reduce its market value; informs the assured that he is his own insurer for the portion not covered, and that in saving it in case of fire he saves it for himself, is not afraid to inform the assured of his rights as well as his duties in such cases for fear of losing a point in an adjustment; he places separate amounts on building, fixtures, furniture, stock and other property, and does not cover two classes of property in two places under one item.

He makes his survey and application so plain that there can be no mistake as to the property intended to be insured, and in event of loss has the saved property taken care of, and helps the adjuster and claimant to get at the exact damage. He don't ask the applicant how much insurance he wants; keeps on the safe side; sees that a fire shall not prove a god-send to any of his customers, or that the adjuster for his company gets a reputation for making salvages out of total losses; knows that the company prefers paying a total loss when the insured property is totally destroyed, to having a salvage. Knows that in all cases where the loss is less than the insurance that the assured has received too much, as he should have borne not less than one-fourth of the loss, instead of not bearing any. Knows that salvages made in total losses are more generally due to slovenly and careless underwriting than to any merit in adjusting.

He never over-insures anyone; believes in that part of the Lord's Prayer, "Lead us not into temptation." Shows his clients that insurance that insures is a business necessity, and the cheapest is not always the most economical in the end; that agents must be paid; that managers must live; that capital is entitled to some return for the risk taken, and where capital is risked and policies properly written, an adequate rate must be had, and insists upon getting it, that his company may be prepared for the day of loss.

He grants no special privileges without getting an additional premium, arguing and believing that he is not justified as a business man (if he would be sustained by his company) in giving that security that is paid for by all to his friend without pay; that in doing so he would be giving away that which belongs to another.

He explains that there is something more in insurance than the too popular idea that it only means, taking an application, issuing a policy, collecting a premium and cinching the assured in case of loss.

He does not divide his commissions; does his work well, believes that the laborer is worthy of hire, and sees that he gets it; fights shy of companies paying big commissions; knows that extravagance in any business leads to insolvency, and prefers a steady job at reasonable pay as agent for a company that is managed to keep.

He knows that insurance is a part of the expense of conducting all kinds of business, and any and all burdens in the way of expenses of management, taxes or adverse legislation become a direct tax on the community; some few may suppose that by not insuring their own property they escape this tax, but they pay (all the same) their share on everything they eat, drink or wear.

He shows that the rates of insurance are based on good property, with moral and physical hazard good; also, that property cannot be rated as low in small cities as in large ones, because firemen with small experience often throw ten times as much water on a stock of goods as there is any necessity for, making a damage of more thousands in a small city than hundreds in a large one from same sized fire.

He believes, and acts on the belief that the word of an insurance agent is worth as much as that of any other man, and when he gives his word to his competitor it is respected and relied on.

He believes that the inherent physical hazard in risks he takes will, in some of them, sometime and somewhere break out, and don't flatter himself that all of his risks are fire-proof. He examines stove-pipes where they pass through roofs or through ceilings into chimneys; cautions the assured against putting *cold* ashes in barrels or wooden boxes stored in the angles of buildings, fences, basements or sheds (cold ashes cause as many accidental fires as empty guns do accidental deaths); against turning a coal oil lamp down below a half flame, to heat the tubes and generate a gas that is not consumed, and causing explosion; against keeping turpentine or oiled rags used for cleaning paint, or rags used for mopping up paint or oil in or around any building; against using saw-dust, rice, chaff or other combustible material to soak up oil drippings in stores, to generate spontaneous combustion and add one more to the many mysterious fires; against allowing matches to be kept where mice can make a meal off of them, or store them away between studding for winter food (fuel); against allowing hot air or steam pipes to come into contact with wood; against using sawdust in spittoons in stores or offices, to take fire from a partly consumed cigar or that invention of the enemy of mankind, the cigarette.

He attends to renewals in time to make all necessary changes; delivers policies as soon as ordered, and sends account current and coin to balance at end of month.

The all-important question is, how to secure a good agent. The ancients had a belief that the statue as a statue existed in the marble block before it was touched by the artist's chisel; but they were always careful to have a perfect block. Get a good man and he will make a good agent; the question with us as to how to get a good man too often boils down as to how to get any kind of a man.

It would be better if specials would use judgment, and when asked by Mr. President or Mr. Manager why we do not have an agent at Smithville, give him the best of all reasons; that is, that we can't get a man to make one of. We must know that each of us can only secure a certain share of the going business; that no one company or agency can get it all; that if one of us get the model agent in a town and we get more than our share, that in the adja-

cent town some other company will draw the lucky number and take the cake. We can, however, work with patience, and when we make an appointment get a sensible, reliable man who, when educated, will be a good agent.

In concluding, your Committee would repeat the advice given in a former report. In selecting agents, "Let your standard be a high one, and your appointment reflect credit alike on your judgment and associations. Find a reputable person, whose name is a guarantee that his acts will cause you no shame. If you can interest him in the work, appoint him. A good man makes a good agent; an intelligent man an intelligent agent; a superior man a superior agent; and per contra, a weak, cunning, dishonest or confidence man, a correspondingly undesirable agent."

All of which is respectfully submitted.

WM. SEXTON,  
T. A. MITCHELL,  
L. MEL,  
Committee.

Applause.

President—The report of the Committee on Losses and Adjustments is next in order. No response.

President—The report of the Committee on Legislation and Taxation will now be received.

Mr. Thomas—Mr. President, I am directed to read the following letter from the Chairman:

#### LETTER FROM MR. W. J. CALLINGHAM.

*Mr. President and Gentlemen:*

It is with extreme regret that I find at the last moment that I am the Chairman of the Legislative Committee of this Association, and in consequence thereof something being expected from me upon insurance legislation in general. The time, however, will not permit of a lengthy review of the very many insurance bills introduced into the Legislature of this State during the present session, some of which would be desirable, but the majority are iniquitous and would become oppressive upon the assured in the way of increased rates if they became laws. The valued policy measures are the most prejudicial to both underwriters and the honest insuring public, and cannot be condemned too severely as laws calculated to promote fraud of the worst kind, by the criminal destruction of property from which loss of life may in many cases be the result. I am pleased to be able to state to this Association that every legitimate means will be taken by the Legislative Committee of the Board of Underwriters to defeat these incendiary laws—so-called valued policy laws. The Sub-Committee of the Legislative Committee, consisting of Messrs. Dornin and Bromwell, made very able arguments before the Committees on Corporations of both Houses, which I am sure will

have great weight when the bills come up for passage. These are plausible and taking measures with the ordinary legislator, and cannot be protested against too strongly by underwriters, which is as much in the interest of the insuring public as that of insurance companies. I very much regret that time will not permit of a more lengthy treatment of this subject, of which so much could be said that would be interesting. I must beg, however, that you will take the will for the deed, by promising better things in the future.

With much respect,

W. J. CALLINGHAM.

On motion, Committee were given more time to report.

President—We will now listen to the report of Committee on Fire Department and Water Supply, Col. Kinne, Chairman.

Col. Kinne—Mr. President, I would state publicly and officially, that this is the first time I was aware that I was appointed on such a Committee. There was some talk, I remember, about such a thing, but I never understood that I was of that Committee.

Committee granted more time.

President—The report from the Committee on Statistics is next in order.

Mr. A. P. Flint then read the

## REPORT OF COMMITTEE ON STATISTICS.

*To the Fire Underwriters' Association of the Pacific:*

GENTLEMEN—Thanks to the arduous labors of our able predecessors, your Committee have had a comparatively easy task, taking the figures furnished by the Commissioner's Report, and the diligent editor of the COAST REVIEW, and adding them to the tables prepared by previous committees. We are, too, under obligations to the reports of the Fire Patrol and Fire Marshal Durkee, for the receipts and losses of this city. We have continued the admirable system of tables adopted by a former committee, believing them to be ample in detail and showing at a glance the results of the business.

We are enabled, for the first time, to present the statistics of ALL the business reported to the companies and agencies having headquarters in San Francisco.

We invite the attention of the Association to the tables attached hereto, including the list of companies admitted to and withdrawn from the State in 1880.

For California we show a gain in the receipts for the year, and the ratio of losses has not increased.

Our tables for the business outside of California show a much larger proportion of losses to receipts.

The ratio of losses to receipts in California being 32.5 per cent., and outside 48 per cent. And in this connection we beg to say that from facts laid

before the Nevada Legislature, we find returns from twenty of the leading companies doing business in that State, the past ten years, show a net loss of \$528,089; and there is reason to believe that full returns from all the companies would show a still more disastrous state of things. And yet the Legislature believes insurance companies should be taxed for the privilege of losing their money there.

The returns for the year 1880, while they show no great increase, do indicate clearly that the "hard times" complained of have spent their force, and that the return tide of prosperity has commenced to flow.

The statistics from all the Trade Associations indicate a healthy condition in every branch. And the outlook for 1881, for the insurance interests represented by us, is bright and hopeful.

During the year 1880, the following named companies have been admitted to transact a fire insurance business in this State:

## FOREIGN.

Fire Insurance Association, of London.  
General Reassurance, of Paris.  
Lion Fire, of London.  
Manchester Fire, of Manchester.  
Metropole, of Paris.  
Phoenix Assurance, of London.

## EASTERN.

Commercial Fire, of New York.  
Fireman's, of Baltimore.  
New Hampshire Fire, of Manchester, N. H.  
New York City Fire, of New York.  
Union of Philadelphia, of Philadelphia, Pa.  
Mercantile, of Cleveland, Ohio.

## LOCAL.

Oakland Home, of Oakland, Cal.

During the year 1880, the following named companies ceased to do business in this State:

## FOREIGN.

La Caisse Generale, of Paris.  
Scottish Commercial, of Glasgow.  
Paris Underwriting Association, of Paris.  
Standard, of New Zealand.

## EASTERN.

Fairfield, of South Norwalk, Conn.  
Faneuil Hall, of Boston.  
Home, of Columbus, O.  
Northern, of New York.  
Lycoming, of Muncy, Pa.  
Manufacturers, of Newark.  
Mercantile, of Cleveland, Ohio.  
Westchester, of New York.  
St. Nicholas, of New York.  
Trade, of Camden, N. J.

San Francisco, Cal., Feb. 15, 1881.

A. P. FLINT,  
W. P. THOMAS,  
Z. P. CLARK.  
Committee.

# Comparative Table of City and Country (San Francisco and State) Business.

AMOUNT OF FIRE INSURANCE PREMIUMS FOR 1876, 1877, 1878, 1879 AND 1880, AND PER CENT. OF SAME RECEIVED BY EACH CLASS OF COMPANIES.

COMPANIES.	PREMIUMS, 1876.				PREMIUMS, 1877.				PREMIUMS, 1878.				PREMIUMS, 1879.				PREMIUMS, 1880.					
	State.		City.		Total.		Per cent.		State.		City.		Total.		Per cent.		State.		City.		Total.	
	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.		
California.....	\$670,104 35	\$509,687 28	\$1,179,791 32	32	\$1,179,791 32	\$476,321 26	\$1,160,326 30	30	\$491,361 28	\$404,547 23	\$895,908 25	25	\$467,125 27	\$341,879 20	\$809,004 24	24	\$542,355 28	\$339,376 20	\$881,732 24	24		
Eastern.....	430,527 23	462,885 25	893,412 24	24	893,412 24	476,057 23	928,985 23	23	453,949 25	421,382 24	875,331 25	25	514,928 30	442,062 26	956,990 28	28	595,470 31	469,070 28	1,064,541 29	29		
Foreign.....	791,163 42	847,252 47	1,638,415 44	44	1,638,415 44	906,021 44	1,844,609 47	47	832,234 47	936,048 53	1,768,282 50	50	*761,285 43	905,725 54	1,667,010 48	48	786,903 41	887,090 52	1,673,993 47	47		
All Cos.....	\$1,891,794	\$1,819,824	\$3,711,618	..	\$3,933,920	\$1,867,837	\$3,933,920	..	\$1,777,544	\$1,761,977	\$3,539,521	..	\$1,743,338	\$1,689,666	\$3,433,004	..	\$1,924,729	\$1,695,537	\$3,620,266	..		
LOSSES AND PERCENTAGE OF SAME TO TOTAL PREMIUMS AS ABOVE GIVEN.																						
	LOSSES, 1876.				LOSSES, 1877.				LOSSES, 1878.				LOSSES, 1879.				LOSSES, 1880.					
	State.		City.		Total.		Per cent.		State.		City.		Total.		Per cent.		State.		City.		Total.	
	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.		
All Cos...	\$514,366 27	\$755,031 41	\$1,269,397 34	34	\$1,269,397 34	\$504,323 27	\$1,219,900 31	31	\$693,787 39	\$222,437 13	\$921,224 26	26	\$932,394 53	\$177,950 11	\$1,110,344 32	32	\$904,636 47	\$271,034 11	\$1,175,671 32	32		
PERCENTAGE OF PREVIOUS YEARS BUSINESS LOST OR GAINED BY EACH CLASS OF COMPANIES.																						
COMPANIES.	1876.			1877.			1878.			1879.			1880.									
	State.	City.	Total.	State.	City.	Total.	State.	City.	Total.	State.	City.	Total.	State.	City.	Total.							
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.							
California.....	-07	-01	-05	+02	-06	-02	-28	-15	-23	-05	-15	-10	+16	-007	+08							
Eastern.....	+17½	+11	+14	+10½	-02	+04	-05	-07	-06	+13	+05	+03*	+15	+06	+11							
Foreign.....	+08	+14½	+11	+14½	+11	+13	-08	-03	-04	-09	-03	-06	+03	-02	+004							
All Companies.....	+04	+09	+06	+09	+02½	+06	-14	-06	-10	-02	-04	-03	+10	-003	-05							

The exceptional gain made by Eastern Companies in 1879 is, to some extent, accounted for by the fact that their number increased during that year from 55 to 64, while the Local Companies decreased from 8 to 7, Foreign Companies remaining the same.

## Fire Insurance Business in California during Ten Years. 1871 to 1880, inclusive.

TABLE SHOWING RISKS WRITTEN, PREMIUMS, LOSSES, AVERAGES, &amp;c.

YEAR	NUMBER OF COMPANIES.				RISKS WRITTEN.	AVERAGE RATE.	FIRE PREM'MS.	AVERAGE PREMIUMS.	FIRE LOSSES.	AVERAGE LOSS.	PER CENT. LOSS TO PREMIUMS.
	California.	Eastern...	Foreign...	Total.....							
1871..	5	11	8	24	\$185,218,963	1.08	\$1,994,522*	\$83,105	\$1,201,612†	\$50,066	*60
1872..	6	22	10	38	200,178,417	1.19	2,388,543	62,826	667,704	17,571	28
1873..	7	34	11	52	184,545,576	1.58	2,926,632	56,281	777,718	14,956	26½
1874..	7	48	13	68	197,432,160	1.59	3,139,679	46,171	783,303	11,519	25
1875..	7	50	17	74	221,653,672	1.58	3,493,381	47,207	987,966	13,350	28
1876..	7	57	22	86	237,013,037	1.57	3,711,618	43,158	1,269,397	14,760	34
1877..	7	56	26	89	256,893,278	1.53	3,933,920	44,201	1,219,900	13,706	31
1878..	8	55	28	91	238,639,041	1.48	3,539,522	38,896	921,224	10,123	26
1879..	7	64	28	99	228,964,659	1.50	3,433,004	34,676	1,110,344	11,215	32
1880..	8	60	30	98	252,179,530	1.43	3,620,267	37,962	1,175,671	11,997	32

\* Report of 1878 gave Premiums on Risks in Force, instead of on Risks Written, hence the variation in these figures.

† Not including \$236,508 paid by the Pacific and Occidental for losses of the previous year.

## Fire Insurance Business on the Pacific Coast, exclusive of California, for the Year 1880.

TABLE SHOWING RISKS WRITTEN, PREMIUMS, LOSSES, AVERAGES, &amp;c.

YEAR	NUMBER OF COMPANIES.				RISKS WRITTEN.	AVERAGE RATE.	FIRE PREM'MS.	AVERAGE PREMIUMS.	FIRE LOSSES.	AVERAGE LOSS.	PER CENT. LOSS TO PREMIUMS.
	California.	Eastern...	Foreign...	Total.....							
1880..	8	58	29	95	\$45,975,161	2.25	\$1,034,905	\$10,894	\$497,673	\$5,239	48

There are three companies (two Eastern and one Foreign company) not credited with business outside of State of California.

The amount of risks written, and premiums thereon by companies reinsured, is embodied in the returns of the companies reinsuring said companies retiring from the State.

Mr. Flint—I wish to say, gentlemen, in addition to this, that it was the desire of the Committee to have the report of all insurance companies throughout the United States, but from the *Insurance Journal* of Hartford, which is the most reliable upon statistics that we have, we find that it is impossible, even at this day, to get the correct statistics for 1879.

The *Finance Chronicle*, of London, gives a statement of the business of the United States, but it was so deficient that the *Hartford Insurance Journal* answered, and they report that there are about 1039 companies doing business in the United States, and they can only get reports of 184, so any report would not be a correct report; therefore the Committee have preferred to let the matter drop.

The insurance business of the United States, amounts to about one hundred million dollars a year, and the losses are about sixty million dollars each year, which shows the amount of business represented by all the companies.

Mr. Dornin—Mr. President, I do not wish to interject any parenthetical remarks, but I wish the Committee on Statistics had gone a little further and eliminated from the state and counties the business of San Francisco, more particularly the grain warehouse business, in order to show that the loss ratio on California business instead of being 32 per cent., will show much nearer 80 per cent. Our statistics, as we get them from the Insurance Commissioner, are very deceptive; we forget that San Francisco contributes fully one-half of the whole premiums of the State.

The losses from San Francisco have been exceedingly small, and in consequence of that, it goes out to the world that underwriters in California are making such an extraordinary profit on their business, and I believe it is demoralizing to our business when we attempt to adjust it, judging from the statistics of the Insurance Commissioner.

The losses of California run up to near 50 per cent., while in the Pacific Coast business you interject the business of San Francisco, but if you take out the business of Oakland and the county of Alameda, which for various reasons has been very profitable, and the business of Sacramento, or limit it to the business of the bay counties, I question whether there has been

any profit outside of this little territory, that is, taking out the grain business which this year has been very large and profitable, but outside of that, the business will not bear careful scrutiny.

Mr. Flint—Mr. President, I beg to say in answer to Mr. Dornin, that the report which the Committee annexed to their report goes into this subject with considerable detail, and we thought it was not necessary to repeat that, as it would be tautology.

Now with reference to other special business, I wish to say this, when undertaking to get statistics with reference to Nevada business, the Committee were met with a prompt denial. We thought of making statistics on the wheat business, but there was such a disposition on the part of some officers of companies to withhold the figures of certain kinds of business that we could not get the whole, and therefore had to present only a part.

Mr. Dornin—Mr. President, I understand that we get the statistics from each company, and the companies declined to give up their records. There are statistics of the Insurance Commissioner, of the Fire Department and Fire Marshal. My point was this, *not* to let it go out as it has for several years past, that the percentage of profit is so exceptionally large in California. The grain business should be taken out of these statistics—it counts very largely in our returns. For we are constantly met with that remark of the country agent that Mr. Sexton alluded to, that the country merchant has got to contribute to pay for the city losses, and we ought to show the country agent that the city business, for reasons given, has been exceedingly profitable, and the country business hardly pays its way. If you take the country business, say for the last five years, I think you will find it has made no money during that time.

Mr. Clark—Mr. President, the Chairman of this Committee did not read the tables of statistics, as they are lengthy, and you all, no doubt, desire to subject them to close personal study. They are a continuation of the tabulated statements started by your former Committee, with a valuable addition showing the entire Coast business. It would be impossible to separate the business of the Bay counties from that of the State with the data before your Committee.

President Spencer—I bear Mr. Dornin out in his remarks. When Senator Brumsey was about to introduce his bill in the Legislature, he asked Mr. Bromwell and myself to obtain the returns for the past ten years of all the companies doing business in Nevada. There were a number of companies doing business there ten years ago that have quit since. Senator Brumsey telegraphed for these statistics, and I sent a report of twenty companies, as much as we could get of them, and the returns of those companies show a net loss of over \$500,000.

I know that the reason some of the companies refused to give their statements was, on account of their not wishing to let it be known what their losses were, and I know if we had a report of all the Nevada business for the past ten years, it would certainly show a loss.

Mr. Flint—Mr. President, I would like to make a suggestion. It seems to me that it would be well to delay discussion of these reports until they are printed and in the hands of each member.

I think it would be well to take up these reports from time to time at our different meetings, rather than to take up the time now. After these reports are printed and in our hands, then we can discuss them with greater intelligence, and it seems to me with better results to ourselves.

President—Gentlemen, I wish to say that I have called on the Committee on Library, and I am disappointed that they have no report.

President—This is the proper place for the Knapsack, and I call on Col. Kinne, its manager, to unload.

Calls for the Knapsack were answered by the manager with a suggestion to postpone until next day.

Mr. Bromwell—Mr. President, I think the proceedings had better go right along without discussion. I speak for myself alone, for Mr. Dornin and I will be absent from to-morrow's meeting on another Sacramento pilgrimage, but we are anxious to hear it all.

Col. Kinne—Mr. President, we want to talk about matters that come up in these reports, and discuss them, and make suggestions in regard to forms, &c., but as manager of the Knapsack, I am ready to say what I have got to say at any time.

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 CALIFORNIA KNAPSACK.

VOL. 1.

No. 2.

C. MASON KINNE,

Manager.

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FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC,  
 Editorial Rooms "California Knapsack," 422 California Street,  
 San Francisco, Feb. 1, 1881.

Mr. ———:

*Dear Sir*—Again the Editor of the "Knapsack" has to call upon its patrons for copy. The manuscript that you have, no doubt, prepared long ago for this demand is expected to be sent to our Editorial Rooms on or before the 12th instant.

The success attending our first issue should prompt you to give us a sample of your brightest thoughts, tersely expressed, embracing such matters as properly pertain to the very "broad gauge" of an insurance man.

It is hoped and expected that your missives will "fall in promptly."

Very respectfully,

C. MASON KINNE, Editor.

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EDITORIAL ROOMS "California Knapsack,"  
 San Francisco, Feb. 15, 1881.

In entering upon this, the second volume of our valuable and valued journal, we have to congratulate ourselves upon the flattering reception accorded us last year, and to not only congratulate but *thank* our members who have so kindly answered the demand for "copy."

As this periodical is intended as a repository for the collection of material and remarks on interesting subjects not properly belonging to any committee, it was deserving of success, and this issue as well as the last proves that some such *omnium gatherum* was a requisite, and furnishes a vehicle for much that is rich and racy, valuable and entertaining.

From the many contributions to our columns, the manager selects those he proposes to present to you, with the statement that the others are fully as deserving of a place; but life is short and time is precious, and we have no desire to weary you beyond endurance.

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### BLACKSMITHING IN INSURANCE.

A case came under the observation of a special some time ago, while in the general office of a company doing business in California, which tends to show the importance of full particulars in making diagrams of risks.

It seems the local agent of a small country town some years ago sent up an application, stating that as he did not clearly know the rate on the risk, he wished the company to affix the proper rate and send policy. This was done, and policy renewed year after year until the year 1880 rolled around, when

the agent paid a visit to San Francisco, and while there called at the office of the company and represented that Jones' risk was very hard to retain, as the rate was so high. The application was looked up and showed two buildings situate within ten feet of each other—one marked "Jones' dwelling," and the other "Black Smith." In making the rate, the general agent had taken as a basis D class *blacksmith* shop, 3.25; exposure, dwelling, .50; stove-pipe and cloth lining, 1.25—making tariff rate 5 per cent.

The *local* wanted to know if the rate could not be made less, and explained that the building marked "blacksmith" was no *blacksmith shop*, but was a dwelling occupied by a colored man named Smith, whom he had designated "*Black Smith*" on the diagram. 'Tis needless to say the rate was reduced, all parties were satisfied, and the risk retained on the books of the company. S.

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### RAILROADING IN THE FAR NORTH.

In the month of September, some six years ago, the writer stood upon a rude wharf at the old fur-trading town on the Upper Columbia, called Wallula. Across an expanse of sand some thirty buildings, comprising this once prosperous town, were to be seen, perhaps a round dozen of which were occupied, while the rest were more or less dilapidated and nearly covered up by the drifting sand, which in some instances reached to the second story or roof.

The immediate object of the scrutiny was to determine which of the inhabited buildings laid claim to being the haven for travelers. The afternoon was, moreover, cold and gloomy enough to cause the few arrivals by the river steamer to seek shelter without delay. The only available place betrayed no sign, but one of the very few residents disclosed its whereabouts, and it proved to be a combination of general merchandise store, hotel and apothecary's shop—as a matter of course presided over by an American. Careful inquiry failed to afford any information as to whether the train would leave for Walla Walla that day or the next. The landlord said no "time table" had been prepared, and frankly admitted that the president of the road and himself were not on good terms, and carefully neglected to tell any one just when a train would start. The captain of the steamer was equally unable to give the information, and finally supper was announced, causing a temporary suspension of the questioning. Later on, we gathered around the "inevitable" stove and listened with great interest to the many stories about the railroad, furnished by a person who had arrived on the train from Walla Walla the day before—time, seven hours; distance, thirty miles. Until a short time before, he said, the rails in use were made of wood, but iron had been procured and laid; that the rolling stock was of a very poor character, and, impeded by sand drifting across the track, the result was that the trip ordinarily consumed more time than would suffice to walk the whole distance. To them were added a story of a dog belonging to the president, which, until an accident had occurred by which its life was lost, used to trot along with the engine and drive cattle off the track.

An early rise was the order for the succeeding day, because it was said

that the train might come in and return to Walla Walla at any hour, but it proved to be 11 o'clock before a very diminutive locomotive was espied backing down two small cars toward the wharf. Next two men came out of a saloon near by with common water pails in each hand and went to the river and began bringing water to the engine. This was poured into the boiler through a hole on top fitted with a lid to screw down. The smile with which the three or four new-comers greeted this operation was only equaled by the non-concern of the old citizens, in whose eyes the proceeding was altogether usual and in order.

In a short time the conductor announced that the train was ready to start; so, taking our seats, it moved away. The features of the trip consisted of three or four stops at stations, including the taking of more water at least twice, and the frequent halting of the train until the train hands should shovel sand from the track. We finally arrived at Walla Walla in four and a half hours, and believed the assurances that the trip had been a quick one for that road. The object of the journey having been attained, arrangements were made to return by "*fast freight*" to Wallula early upon the following day. Before leaving, however, the president inquired for and having found that a San Francisco insurance man was in town, he applied at once for insurance on freight carried by his road and which might possibly be destroyed or damaged by fire from the engines, which, although they had no spark catchers, he said, were perfectly safe, owning up, however, to several fires. Promising a speedy reply from Portland, the return was commenced. The conductor kindly consented to throw a bench across the floor of an ordinary close freight car partly filled with freight, leaving the side-doors open. This proved to be quite desirable, and enabled one to look (until tired) at the waste of sand, relieved here and there by scanty vegetation and fences.

After some time had passed, I became conscious of the presence of an unusual degree of heat, and, casually looking around, was much surprised to see the end of the car on fire and the freight in a fine blaze. How to attract attention was a question, and to add to the dangers of the situation, the train was on a down grade, and for once it was going altogether too fast to admit of a jump. Anxiously looking from the side in hopes that the engineer's attention could be gained, a water station appeared in the distance, and the surmise was rightly made that the train would come to a stop and the writer be released. The stop was made and the fire immediately attacked with water from the tank. After this the train went on and finally reached Wallula late in the afternoon with at least one thankful passenger.

It is hardly necessary to add that the president was never troubled with a reply to his insurance proposition.

X-ELL.

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### A "WATER CLAUSE" NEEDED.

EDITOR "KNAPSACK"—*Dear Sir:* The following letter was received by the Secretary of one of our mining companies, and is interesting as showing the broad ground that some writers take of the hazards covered under a fire policy. We can no longer rest in fancied security from loss by floods, but must

at once establish a rate for this risk and insert a "water clause" in our policies. The orthography of the letter also indicates that the "spelling reform" has taken possession of the claimant:

"—— ———, Secretary:

"*Dear Sir*—We are still on top, though the storm for the past few days has been most sevar. My house was flooded on night of 30th, and carpiets well nigh ruined, otherwise suffered no loss. Suppose we are entitled to damages from insurance companies. Are we not? I may be able to use carpiets again. Shall have them washed tomorrough and see what can be done with them. Those bought in my time cost \$121.77. Then thare is another that used to be on sitting room of which I have no bill. Some bedding and blankets were soiled, but not enough to take into account.

"Truly yours,

"—— ———."

The following clipping may have been read by many of you, but is good enough, as an evidence of the average insurers idea, to read to you now:

#### INSURANCE AGAINST NEIGHBORS.

Human nature is the same the world over, as the following incident will help to show. A local insurance agent called on two of his customers, whose premises adjoin, for a renewal of their policies. The first one is a grocer. The agent said to him:

"I suppose, Mr. ——, that you will renew your policy, which expires next week? I have called to see about it."

"Well, I suppose I'll have to," said the grocer. "As far as I am concerned, there is no need whatever that I should insure. I am here all day to look after things, and there ain't a bit of danger of fire from my place. But there is no telling what that fellow next door may do, and as long as he is there I've got to keep insured."

The agent called on the customer next door, who is a baker. He could not help reasoning that if the danger in that establishment was so great there was a possibility of having the amount of his policy doubled, at least.

He told the baker why he called, and hinted that there might be a probability of a desire to increase the policy.

"No," said the baker, scratching his head, thoughtfully, "I don't believe I'll add any to it. I wouldn't insure at all if I wasn't where I am. You see I'm up all night baking, and can watch things, so there's no danger here, but there's no telling what that chap next door will be up to. If it wasn't for him I wouldn't insure a cent; but as it is, I've got to do it."—*Ins. World*.

The following is from the same pen that gave us the excellent article on "Shadows" last year:

## SUNSHINE IN THE BUSINESS.

How blessings brighten as they take their flight, how the scenes and incidents of ten years ago stand out a pleasing contrast to the toilsome present. I remember a special trip from Oregon to California in that happy past. Roseburg was the starting point. Roseburg! dreaming in the lap of a luxurious valley surrounded by brave hills.

At the time of which I write, it was Bohemia; to know *one* of the boys was to be welcomed on every hand. There was Van and Asher and Mac, the Colonel, the Senator and the Judge. The freedom of the city was extended and accepted with more of hospitality and less of ceremony than in—London, for example.

The Senator was sole agent there and monopolized everything from dwelling to brewery. The stage for Reading left in the morning, but there was a *night* before that morning, all owing to a song, a simple camp meeting song. No sooner did its notes strike the Colonel's ear than he was aroused. As a circus band rouses the neglected charge, so roused it him, this song, that Colonel, from away down South in the land of cotton came a host of memories, bright days of his boyhood, long forgotten in the race for wealth. Tears swelled to his eyes, while his smooth shaved lip quivered the pleasure he felt.

We went from one friend to another gathering a chorus in our wake; the Colonel led the choir, and we sang this song until circumstances made it advisable to pull off the Colonel's boots and put him to bed. We left town at 6 in the morning. To be hurried from bed at candle-light, to scour the town for a mislaid overcoat with a lantern; to bolt a useless meal is neither impressive or inspiring, but a dozen outstretched hands, a dozen voices saying good bye, friendly packages that open with a pop and shut with a gurgle, these are the charms of Roseburg. Where else in the world do people get out of bed on a cold day in the dark to say good bye? The stage agent, known familiarly as "Van" most of the time, is now loading the coach, solemn and unapproachable as a chief engineer at a fire, trunks go on the hind boot, mail sacks and treasure box in front, small traps under the seats, over them the passengers.

I have the seat of honor, beside the driver, the man at the right of the off wheeler buckles in the trace, the man at the head of the leader springs aside, crack goes the whip, six horses plunge madly forward, the brake scrapes a moment, and we are off. In the coach is a man who telegraphed from Portland for an *inside back seat*; he wears a silk hat; he confided to "Van" a desire to quicken the usual schedule time by a day or two, he told the driver at the first watering place of a bet to beat the time of a friend gone down by steamer. Do I need to tell a special agent that a back seat is the worst in the coach? That a silk hat in traveling is an impossibility? No more than I need add that *this* man was a salesman from the *East*. He became a nuisance, he and his hat, and his friend, and his business. At the first piece of "corduroy" we came to, the driver gave us a hint to hold on and then let out his team. Such a shaking up I never experienced, we held on and howled, above the din I could hear the voice of the salesman first loud then fainter, when we stopped which was at a station, he crawled out; his back was bent,

the crown of that hat had disappeared, the rim was around his neck, he had not held on, *he* was a wreck. In reply to threats and imprecations the driver said: "So! that's all the thanks I get for trying to help a man. You want to get to 'Frisco, don't you? want to beat your friend? Well, I drove fast on purpose to help you out, and now you growl, want to be an angel, don't you?" The salesman laid over, and his friend reached San Francisco seven days ahead.

After stopping at Jacksonville over one trip I was uneasy about my seat on the incoming coach. "Jerry," the driver, was a character in his way, besides being a perfect encyclopedia of slang phrases. In due time she hove in sight with Jerry at the lines, and alongside him a moon faced traveler with helmet hat and spread umbrella. There was a quick and expressive interchange of glances between Jerry and me, though not a word was spoken. "Go up to the barn," he said later, "and get on the box seat when the hostler brings her down." I sat there unconcerned while Jerry had a pow-wow with the others; there seemed to be considerable excitement, with violent gesticulation, and Jerry rattled a long iron chain which he held in his hand; he got them all inside at last, and after riding a few minutes in silence, he said: "So you're a mauiac, are yer—a ravin maniac, escaped from your keeper, did yer? Don't you try no crazy tricks on me, sabe? Cos I'll just chain yer down to the boot, I will, that's about what I'll do. Oh you're a nice lunatic, you are, with a bad eye, chawed up six men already, *you* have. Why don't yer give us a Stockton yell? Let out a Napa file-scraper, will yer?"

And he chuckled and ogled me, and turned red in the face, and rolled himself about, until I expected to see him go over the dash-board head first.

"What in the world are you driving at?" I asked.

"Oh, he never tumbles!" said Jerry. "He don't drop—can't see it yet, eh? Never traveled much, did yer? Ain't no insurance drummer, be yer? only a minister, perhaps—a Sunday-school teacher, likely. Ain't up to the ways of a wicked world. He's a little lammie—has to have his eyelids tucked back to see anything, *he* has. Oh, oh, oh!"

"Jerry," said I, "if you don't stop this infernal nonsense, you won't get a cigar the whole drive."

"Mean to say you didn't hear the racket I gave 'em?" he said, in an altered tone. "Why, Lord love you, thought you took it in as it went along. I told 'em you was escaped from an asylum—mad as a March hare; I wouldn't trust yer inside for fear yer might tear 'em all to pieces. Got it now? See it? Good, ain't it? Now give us a yell—a regular blood-curdler. That's right—keep it up—send it into 'em! Oh, oh, oh!"

All day, at change stations and watering-places, those deluded insiders consulted with Jerry in whispers about my case. Jerry was fertile in resources—too fertile, for he mixed his stories up in such a fashion that it dawned on them at last, and we made peace at Cole's Station, where we took supper and parted with Jerry.

The home drive was made with Charlie McConnell, whose skill at the lines is only equaled by his gallantry and elegant manners to lady passengers. One of the fair sex was beside him; but his love for a good cigar overcame

other obstacles, and he made room for me also. After a while the lady observed a little white post by the roadside with a large figure two (2) painted on it.

"What is the meaning of that?" she asked.

Charlie shot a glance over to me, and solemnly replied:

"Madam, that is a grave. Two people are buried there. On a dark night the stage upset. Two people--strangers--were killed. The driver escaped as by a miracle. We buried them there, and erected this simple shaft to mark the spot."

"Dear, dear!" she said, "how sad!"

After a while she said:

"Why, there is another head-board with 5 on it."

"Yes, madam--the result of another accident. Here in this lonely spot lies all that is mortal of five persons--all strangers--who met their fate by being thrown over this cliff on a winter day. The driver escaped as by a miracle. We read the funeral service over them and buried them together, erecting this simple shaft to mark the spot."

"This is too horrible! Do accidents often happen?" she asked.

"They do--they do, alas, too frequently," said Charlie.

Some hours later our lady passenger gave a scream, and started from her seat.

"Mr. Driver," she said, "There is a grave-post with 13 painted on it!"

Charlie's tone of solemnity was sublime. "My dear madam, I am so sorry. That was indeed a frightful affair. Coach and horses, passengers and driver, went down this precipice with one grand crash. I was spared as by a miracle--caught on the projecting limb of a tree. Hours after, when I reached the wreck, all were dead but one, and I finished him off with a king-bolt. It was hard to do, but these survivors always sue the Company for damages, and I am simply working for my employer's interest. Madam, we read the funeral service over them, and buried them together, erecting this simple shaft to mark the spot."

"Driver," she said, "I do not wish to discredit any statement you may make, or to appear to doubt your word, but I must say, this otherwise agonizing narrative seems to me like a fairy story."

"Madam," said Charlie, "you have guessed it. I really must apologize for the king-bolt; otherwise I think it is a shame to spoil a good story."

And so this jolly ride had an end, like all else in life; the stage-load became diluted in the larger accommodation train, and we drifted into the big stream of humanity rushing to "the Bay."

G.

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## WHERE WAS THE DEACON?

It was at Sacramento, last year, during the "session," time midnight, when two of the boys parted thus: Said one: "Good-night, old man--I leave you here. Have to sit up with a sick friend. By the way, do me the favor, as you pass my room on your way to bed, to step in and disarrange it; turn

down the clothes and rumple the pillows. My door is never locked, and when the others look in at breakfast time they will see that I am off. Understand?"

"All right," said No. 2.

They met at noon. In reply to vigorous upbraiding, No. 2 said: "I did disarrange your room, put water in the basin, rumpled the towels, tore the bed to pieces—why, room 17 looked as if there had been a fight!"

"Seventeen? Good gracious, that's wrong! That's the *Deacon's* room!"

"The dickens it is! Then, *where* was the deacon?"

### HAVERSACK PHILOSOPHY—CRUSTY HARD-TACK.

*Mr. Editor:* Nutritive and brilliant extravaganza in your spicy department is always enjoyable and appreciated, and this fact warrants the relegation of these meagre and crusty rations to the knapsack's accompaniment—as anticipated by the title of our contribution. It need not be inferred that we are starting out on any well-defined long march, and that our haversack is replete with dry "crumbs of comfort"—on the contrary, ours is a *foraging* expedition! We may camp in dangerous fields, and tramp on the coins of friend and foe alike in these chosen philosophical meanderings—brief, because obliged to be, but nevertheless realizing that the practical teachings of the association admit the broadest toleration of individual opinions, and steadily ameliorates all prejudices incident to the denominational or varied interests of fire underwriting. A little healthful, plain talk, therefore, in an association where there is no distinctive line drawn as separating local, Eastern or foreign, Board or non-Board, experienced or inexperienced, may tend to strengthen and sustain a common brotherhood of underwriters in their efforts to elevate our business, not only by discussing *fresh* topics, but by putting *older* ideas in fresh and practicable shape. Therefore,

1st. It is most obvious that members, one and all, should take a deeper interest in and *participate* in all regular meetings; instead of *shirking*, take rank among the workers; *produce* something, and not, like a sponge, absorb all that comes along, waiting to be squeezed into reciprocity.

2d. Life is too short for men in this great business of ours to attempt the remodeling of characters we find in it. Active-minded *idlers* are even worse, and certainly more dangerous, than the throng of microscopic busy-bodies who magnify trifles, but are incompetent to grasp greater ones. All these characters add a zest, and amount to a necessity, towards perfecting our underwriting drama; otherwise it would drift into a monotonous and enervating comedy—a kind of goody-goody humdrum, without progress or enterprise.

3d. We may sermonize, declaim, exhort, harangue, and lecture, but the members of the Pacific Association must give results—the *motive power*—if the fraternity is to feel the benefits of such Association; quarterly outbursts of courtesy and annual assentation to creed-bound practices amount to naught unless carried into everyday life and honorably adhered to, because appropriate, becoming and comfortable.

4th. It is a lamentable fact that adjusters on the Pacific Coast are becoming gradually extinct, and their places supplied by a class at present without epithetic distinction, unless we introduce them here as "Settlers." The over-anxiety of the companies themselves to pay losses, and the thin-skinned make-up of executives, are the responsible causes for the extinction of the former and the epidemic of the latter.

5th. Legislative prodding creates too much noise, fuss and cackling among underwriters. If this exhibition and characteristic virtue of insurance men could be spread out, and some attention given by them to politics from the primaries to election day, their power and influence could be so deployed as to economize all these periodical anxieties and wastes of time, chin-music and bullion.

Lastly, fully equaling a military campaign in discomforts, inconveniences and hardships, is the continuous life of the faithful, plodding Special Agent and Adjuster, and with just about the same consequences; if *successful*, the generals in command secure the credit; if defeated and routed, we must then be prepared to selfishly shoulder the blame without any division whatever. There are several sides to this picture at variance with the above, as every Special present verily believes.

We have now finished our tramp. If results shall be fruitful of the good intended, then our reward is ample and sufficient. In the meantime permit us to subscribe ourselves merely a

MALICIOUS SKIRMISHER.

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### CONSOLATION.

'Twill be a great comfort to many to know,  
Insurance adjusters to heaven *must* go;  
For if a just man is bound to get there,  
Most surely *adjuster* no worse will fare.  
Besides, I am told, it chanced one day,  
An insurance adjuster to hades did stray,  
(The chances are, 'twas the fervent prayer  
Of a policy-holder sent him there),  
And at once aroused the devil's ire  
By investigating the cause of the fire.  
He annoyed him so, old Satan swore  
Insurance adjusters should come there no more.

D. M. B.

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### A LITTLE TALK TO SPECIAL AGENTS.

When one attempts to talk on a subject of common interest touching our business, there are so many heads of subjects springing up that bewilderment follows. There is so much to say, so much that ought to be said in clear, ringing tones, which would find their way to each one, and *wake him up*. It is common for our members to tell the wrongs we know of and do not mend—it is so common that if it were not told we would wonder. Yet here we meet each year, and, having read the lesson, go our way, quickened, but

unheeding. Why is this? Do we not take pride in the fact that our business draws its rank and file from the best stock in the land. Is not Society, Art, Literature, strengthened by the workers in our profession? Let me confine myself to one suggestion: The simple fact is here—there is *no good faith* among us. East, West, North and South, the same charge is made—*no good faith*.

I fear me it is true. It springs from cowardice, nothing less—moral cowardice. The will power which carries us through danger and trial in all else falters and is weak in this. My friends, let us mend it; let us talk less and do more; let us make a *start*—let the year 1881 mark this step, viz: Having each in his own mind fixed the way to bring good faith into the business, follow it, stick to it.

You are the managers of the future—before long you will guide and teach others. Teach correct practice; observe it that you may teach. Whatever the condition of things, *keep faith*. Do not agree to a compact until you are ready; if you promise, keep it; when you are ready to break the compact, let it be known; release yourself openly.

Let us think less of our neighbors' business. Each one of us is a neighbor—each one can take heed for himself. In all the town, is there another business worked by men—*gentlemen*—where a mere rumor of bad faith does such harm?

*Is it because of the willing ear?* Already this Association has done much—so much that the special agent is on terms of cordial friendship with his brother special; so much that strife, and sarcasm, and ill feeling has melted away, and a spirit of unity is found in its place. What is possible in the adjustment of losses is possible in the field and in the office. Let the past go; work faithfully for the present, the future will be here soon enough—too soon for all.

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EDITOR "KNAPSACK"—*Dear Sir:* Your valued reminder of the 1st inst. is just received, and I am sorry found me not like the wise virgins—for no manuscript was ready or even thought of, and only to give you "copy" do I presume to take your valuable time. As you want "broad gauge," I give it to you, entitled

### "THE BASE LINE."

Some years ago an adjuster for one of our Eastern companies was sent to Humboldt County to settle a loss on a livery stable building, owned by the well-known stage man, Tom S—. The claimant and adjuster arriving at the scene of the conflagration too late in the evening to do anything, it was agreed to meet at 7 o'clock the following morning for work. Promptly at seven, both parties were on the ground, the measure of the building was "taped off," sizes of sills, posts, plates, joist, rafters and other necessary memoranda made, whereupon the claimant was asked if he knew of a reliable builder in town who was well up in estimating on buildings and contracting for work of that kind. He said that there was a first-class man who thoroughly understood the case, and he soon had him at the place. On propounding the ques-

tion, the adjuster was convinced by the emphatic and confident answer of the builder that he was the man looked for, and opportunity only was lacking to launch upon the world the result of a well-stored mind. The ground plan was again *taped*, the sizes of timbers and general construction of the stable gone over, and then the builder was ready to go to his office and "*figger*." When asked how soon he would return with his estimate, he said in a couple of hours. It being then nearly 8 o'clock, and as he wanted to do his work undisturbed, it gave the adjuster plenty of time to fill out his proofs (except the amounts) and also to look around town. Having rained for a number of days previous, the country was not in a favorable condition for extensive pedestrian exercise, so ample opportunity was afforded to watch the clock. Ten o'clock soon came, but no builder; then eleven and twelve. Dinner here came to the rescue and was quickly disposed of, and then the wonder was, why does that man delay so much? One o'clock, two, and at three o'clock, with patience well nigh exhausted, the adjuster proceeded to the office to interview the builder. On arriving in front of a small one-story frame dwelling, situate a little back from the road, the builder was seen in his shirt-sleeves standing with a table before him. Shortly he began walking back and forth, then he would stop and look at something on the table, taking a pencil which he had in his mouth and point at the something on the table; then he would resume his walk, only to stop again and look at the table. How long this had been kept up, is hard to say, but it is fair to presume for nearly all day. Finally the adjuster opened the gate and walked up to the house, knocked and was invited to enter. On going into the room his curiosity was excited to see what was on the table which had interested the occupant so greatly. Imagine the surprise when it only turned out to be a large piece of brown paper spread over the table, a steel square and a *straight line* drawn on the paper. Desirous of knowing how the builder was progressing, the adjuster asked him how he was getting along, and was rewarded with the encouraging reply, "*Splendidly; I've got the base line drawn;*" at the same time pointing to the straight line on the paper in a sort of triumphant way.

Mr. Editor, I will assure you it was extremely difficult to refrain from smiling audibly. Not wishing, however, to wound the feelings of the party, the adjuster proceeded to give the builder the benefit of his figures, and in an hour the estimate was made and written out by the adjuster. When asked for his bill, the *builder and contractor* said it was \$10. To this a demurrer was made, the adjuster wanting to know what his regular charge was for a day's work, was informed that it was \$3 50, but he thought his superior knowledge as a builder should entitle him to the full amount. He reluctantly took \$5, and no doubt often wishes for opportunities to earn a V so easily.

Yours, etc ,

S.

## COMMISSIONS.

[Written for the "Knapsack."

The morning mists were fading fast,  
As through a mountain village passed  
A traveling agent, early bird,  
Who uttered low the magic word  
"Commissions."

His form was bent, his haggard face  
Showed traces of an ancient race,  
While ever, as he strode along,  
He muttered in a well-known tongue,  
"Commissions."

Touch not that mill, the "local" said,  
The "lead" is "petered out" and "dead";  
The moral risk is something "snide";  
But still that anxious voice replied,  
"Commissions."

Oh, stay! the Fiute maiden said,  
And rest awhile your weary head;  
A wink lurked in his dexter eye,  
But still he whispered with a sigh,  
"Commissions."

At midnight hour as homeward sped  
Two jolly miners to their bed,  
Bright flames leaped forth with lurid glare,  
Reflecting through the murky air,  
"Commissions."

Morn on the ashes warm and gray.  
Disclosed the traveler miles away;  
While from the "local" standing near,  
A voice came with a hearty cheer,  
"Commissions!"

BUZZITE.

And now, comrades, having opened the Knapsack for your inspection, and showed you the good things in the Haversack, we will husband what further ammunition we have, and take a pull together at the old canteen when we meet around the festive board to-morrow evening, where neither rebates nor "commissions" will trouble us; and, trusting the "consolation" we'll draw from the occasion will long be remembered, I beg to roll my blankets, buckle my knapsack, and "close up" generally. C. MASON KINNE, Editor.

Several of the members expressed themselves as very much entertained over the repleteness of the spicy Knapsack, but Col. Kinne declined any popular vote of thanks for his collection.

The Chair next invited Mr. E. W. Carpenter to address the Association, who being called upon, spoke as follows:

## CARPENTER'S ADDRESS.

*Mr. President and Gentlemen:*

When I was asked by the President of this Association to prepare something for its annual meeting, and when I saw the array of talent already marshalled in the ranks of the regular Committees, whose reports have already broken upon your ears, I was at a loss to account for the suggestion. It finally occurred to me, however, that the most dull and dreary background might set off to advantage the brilliant productions of more skillful artists, and viewing the matter in this light, I have attempted to say something about

## THE APPOINTMENT OF AGENTS.

There are on this Coast not less than four thousand fire agency commissions, issued by forty-one companies or general agencies, and held by not less than fifteen hundred different individuals. These are the men that bound their principals last year for \$298,154,601, and collected, and (it is to be hoped) remitted the \$4,655,173 premium thereon. Manifestly, then, the establishment of agencies for the handling of such a sum is quite as important a matter as the adjustment of losses which involve only one-third that amount. Yet it is a well known fact that there is not, usually, as much care bestowed upon the former as on the latter. While, in many instances, losses might be escaped, serious complications avoided or settlements facilitated, by the bestowment of the agency upon a good man, at the outset, it is too often the case that the appointment is made in haste, to be supplemented by the usual repentance at leisure.

Well, how *should* agents be appointed? No definite rules can be given, but it may be instructive to refresh your memories on a few points already well known to you. The writer probably shares the fallacy of all his brethren in supposing himself to be about as good a judge of human character as anyone on the Coast. And this is the first error to be guarded against. Do not be over confident of your ability in this respect. Do not form your opinion of a man's availability on the instant, before you have ever seen him perhaps, from his name, his connections, his handwriting, his nicely turned sentences or his promises.

The practices of agency appointment are various, from the general agent who consults the commercial reports, and makes his appointment by mail at the expense of a three cent stamp, or the special who makes his diagram of the town from the rear platform of the lightning express, and throws his card to the man who is watching the train on the assumption that he has plenty of time for the business; to the painstaking special who spends from a day to a week in each town, paces off all his distances, counts the stove pipes, computes the area of cloth lining, direction of wind and movement of business, gets acquainted with everyone, selects his man, treats his family to a buggy ride and leisurely moves ten miles further on.

But while we may criticize each of these methods we shall find that, after all, it is easier to say what *not* to do, than what to do.

I do not know what the experience of others has been, but in my own case the results have been such that I would say, first and foremost, do not be captivated by a *smart* man. From the earliest days an alliance with the party who would take you up into a high mountain, and promise you a conquest of all the kingdoms of the earth if you would entrust yourself in his hands, has not been satisfactory. Your "smart Alec" *may* "know it all." If he does he will "wag" the company and become unendurable as an agent, and if he does *not*, his agency exhibit will represent a panorama of blunders, not without its red fire effects, concluding with a dissolving view of unfulfilled promises and general disappointment, and a possible embezzlement of the cash box. The smart man won't wear. He will buck in the traces and suggest that if you cannot trust to his judgment you had better get someone else. Or he will find his field too limited and desire to be transplanted to some other which has been cultivated up perhaps to the income-producing standard of \$3,000 per year, or he will intimate that his abilities can only find scope as consulting assistant or ornamental underwriter in the head office. He will write you long letters on unimportant matters, apparently for no other purpose than to show that he *can* do it, and to overawe you with the magnificence of his rhetoric. In case of loss, he will so completely commit the company before the adjuster arrives on the ground, or else, if by any perverse accident he should have taken sides with his principal, will have awakened such a hostile feeling on the part of the assured, that the adjuster might as well try to dam the Sacramento flood with a "gaul darn," as to satisfactorily resist the avalanche of difficulties he finds sweeping down upon him. In a large number of instances, also, the smart man is smart enough to use the company's money and keep out of the penitentiary at the same time.

Avoid, also, the man that is *almost* too good, that feels it to be something of an humiliation to "solicit," too much of a "begging business, you know." His connections may be influential, his family tree just blossoming with choice risks, not a cloth lining, stove-pipe or frame range to mar the vision of splendid business, but if his blood is too blue, his first condescension—the acceptance of your commission—will be his last, and the postage stamps that you will waste on attempted cultivation might better be donated to the ubiquitous lady that is collecting a million for coin and glory.

A man that owes everybody, however strongly he may be recommended by the storekeepers, is not the best appointee. He is too apt not to know what premiums have and what have not been paid, to trade policies for provisions, insurance for intoxication, or his company's contracts for Cohen's calicoes, perfectly content to let matters run in this way, without a settlement in any quarter, so long as the merchants or the home office will stand it. It is such agents that are swelling up the item "premiums in course of collection" on the books of the companies, and that are rendering the future fire hazard of the cashier extremely "special," by filling his heart and mouth with sinful explosives whenever the delinquent ledger accounts loom up.

The man with plenty of time is not always to be depended on; his ability may be in inverse ratio to his leisure. There are peculiar circumstances which would cause an exception to the proposition; but as a rule, the possession of many idle hours because a person's services are not in demand by

others, or because he can work up no business for himself, does not constitute the best recommendation. As is well known, the too frequent appointment of such "no account" men has already thrown discredit on the profession.

It may be suggested that if we go on at this rate, no agent will be appointed at all. Well, it must be admitted that there are some towns in which may be found persons competent for judges and governors, fit to prescribe for life present and life to come, but where no available material from which to construct an insurance agent is to be had. In such rare instances, I would send a "sour grape" report to the company and keep out. Where business cannot be done satisfactorily it had better not be done at all.

But in most cases a good man *can* be had. Who shall he be? My preference would be, above all others, for the modest man. This may seem like a heterodox assertion when, according to the generally accepted creed of the profession and the concurring belief of the profane "cheek and brass" are such essential prerequisites to the prosecution of the business. So the statement may be qualified by saying that when a modest man is spoken of, I mean one who is not self-conceited and not over-confident as to his own ability, and do not refer to the bashful young man who would slink away at the first rebuff, and who would name his rate with that apologetic sort of air which seems to say, "I know I am trying to rob you, but will make it stick if I can." The modest man who does not expect to conquer the world with a rocket or capture his community by a display of fire-works, but who relies upon regular siege operations, and the picking off of his men as he can get sight of them; the man who is content to wait, but *keeps at work* all the time he is waiting—this is the agent that we are looking for. He must be systematic; keep an index of those to whom he has spoken on the subject of insurance, with the dates when he thinks it will be safe for him to "call again;" must know the value of a dollar, and not expect to get it without working just as hard for it as if he were cultivating an agricultural instead of an insurance field.

He need not, necessarily, be an old resident of the place, or have a very general acquaintance in it. I have in mind a town where our commission was in the hands of one of the fathers of the burg, but where our only business for years was in the blotting pad and coin-wrapper line. We did not get even our own agent's risk, and the necessity for a change was apparent. A popular man who knew every one was recommended, but I perversely appointed a quiet-spoken, unassuming gentleman, who had been in the State only about a month, and who was prepared to add to his income in any legitimate manner. He requested the loan of my rate-book, so that he could read it by himself, and that I would come around in the evening and explain it to him, and he must have a policy blank that he might examine the microscopic matter and have it made clear to him, and he insisted on knowing how to make such a diagram as would enable the head office to determine whether vacant buildings or vacant lots surrounded a risk, and whether a brick church or frame saloon was under consideration. All these were good indications. He went to work. One of his first risks was that of our old agent, then he took in some more that our old agent had mortgages on, then he insured his boarding house keeper, then his own small stock, then the owner of the

building in which he had started his little store, then the next neighbor, and so on until his town arrived at the honor of a separate page in the locality register, and his agency ranked among the best and largest on our books. To-day this gentleman is not only one of the most successful agents on the coast, but he has, in five years, built up a mercantile business which places him in the lead of all competitors in a large interior town. This instance illustrates the fact that plodding perseverance is what is needed, and that too much weight is often given by specials and managers to considerations of influence, business relations and popularity, in making their appointments. Such a man as the one to whom we have referred appreciates square treatment, and his loyalty cannot be shaken. His modest mind is not likely to think his services are so valuable that he can indulge in all sorts of irregularities and that yet you cannot afford to do without him. He is anxious at all times to receive instructions, and willing to follow them. Give us the modest, persevering man every time. He is not only more satisfactory to the company, but he "takes" better with the public than the loud-mouthed, blatant incarnation of self-conceit, who too often mistakes his own braying for the lion's roar.

How shall the agent be appointed? Well, in whatever manner, let it, if possible, come as a solicitation from the appointee rather than from the company. An agent who looks upon his commission as a favor bestowed may be relied upon for better services than one who has reason to believe that the obligation is on the other side. In most cases the exercise of a little tact will at least relieve the company of any suspicion of begging for a representative, and thus at the outset place itself in the superior position. While the usual method of appointing agents by specials on the spot is without doubt the best, it often becomes desirable to make an appointment by correspondence, and in such cases the reports of the commercial agencies may be consulted with profit, or your nearest agent to the contemplated field will set you on the track of just the right man. Where it is a case of change of agency the former agent will, as has been shown by our experience, often select a better man than you could do, and better than he is himself. It is no reflection on the ability of the special agent that he should be able to do this. The old agent's experience in the business, limited though it may be, has not failed to give him a fair idea, not only of what is required in a general way, but what peculiar qualities are essential in his own little community, and having lived in the place for years he has the entire population to select from, while the special has only the few persons that he may meet during a half day's visit. And thus it happens that the second agent is frequently better than the first. The greatest care should be taken to place the agent in hearty accord with the company at the outset, to feel that it is *his* company, that he is "a member of the family," and that the special making the appointment is, aside from all business relations, his personal friend. We do not believe that wine suppers or frequent surveys to determine whether a certain house for transient guests shall be treated as a boarding house or hotel are essential in order to induce these friendly feelings. In fact, the San Francisco offices, as a rule, do not cultivate by irrigation, but a certain open-heartedness of manner, a frank, cheerful and even blunt style of speech, such as some that

I see around me possess, in an eminent degree, is what is principally required. In addition to the quality above referred to, many of the members of this association possess other individual accomplishments, which give to each respectively his coigne of vantage. All of us non-musical members listen with envious ears to the rollicking airs which bubble up spontaneously from the throat of our friend Grant, and make more friends for his companies than columns of statistics laboriously erected. And the easy abandon, the ready command of language, the witty impersonations of Major Bromwell—why, the old California ought to figure these accomplishments among its most valued assets; while our friend Sexton's remarkable ability to let every man have his own way, without sacrificing the interests of his company, to state plain facts in a homely way, to hit the center every time he fires a shot, gives him a unique position of advantage among the fraternity. With some of us, and I trust I shall not be accused of intruding personal matters before the Association, our chief characteristics are modesty, a certain diffidence inherent in our natures, not always receiving recognition but nevertheless a part of us, and which we trust may some day be appreciated as a curiosity, if not for its own sake. Please pardon this digression, which the salient special points of those about me tempt me to make still greater.

The appointment of the agent should not be considered complete until he shall have received his instructions. While it may not always be practicable, in the case of a flag-station agency for instance, to delay long enough for a thorough posting on the spot, yet there is, beyond question, too much of an effort generally used to "make time," to get around, to send in reports of a large number of places visited and agents appointed and to trust to correspondence from the home office to send those instructions which could be so much better given in one-fourth the time by the special in person. In no better manner can the new agent be enlightened with reference to the astronomical and other mysteries of the rate book than by a practical exemplification of the rules as applied to risks actually existing in his own town. By visiting these risks in company with the special, he learns not only how to rate, but what the rates on these particular risks are, introduces the special to the owners thereof, is all the time forming a closer acquaintance with the special himself, and the latter has each risk fixed in his mind more definitely than would be possible by any other course. Posting the agent in this manner not only saves the home office correspondence, which I trust I may not be accused of being unduly anxious, from personal reasons, to do, but it secures to the company business that it would otherwise never obtain. It not only cultivates an acquaintance between the property owner and the company, but it gives the agent that confidence in his ability to do the business *right*, without which the most conscientious representative would often do no business at all. If the rate-book is simply left with him he will in many cases either not study it at all, or if he fails to fully comprehend it, will become disgusted or fall into the error that he is the only one that could not understand it at a glance, and being ashamed to show what he supposes to be his exceptional stupidity, will not ask questions of the home office, but simply keep quiet. Probably there is not a special here present that cannot call to mind instances of dead agencies which they have visited with funereal intent

that have had the breath of life blown into them through the medium of an instructive mouth, and that have become the most active of their workers. A new agent will ask ten questions of a special on the spot, when, on account of the trouble required, and the more formal character thereof, he would not ask one of the home office.

The rate-book, while it may require more words for its explanation, does not by any means constitute the most important branch upon which instruction is required. How to make a diagram, how to take an application, how to report and remit, the moral hazard, the difference between cost and value, the margin for safety to be left with the assured, and many other points which, like these, are so familiar to every underwriter that it would appear like supererogation to mention them, all should be explained to the novice.

Even if our uninstructed agent attempts to do business he makes such a mess of it, in the first instance, compromising himself as to rate or in the acceptance of a risk, promptly declined by the home office, that he concludes the sacrifice of his self-respect is not warranted by the few dollars he would receive as commission, and he consigns his supplies to the dustiest corner and highest shelf of his room, puts a premium chromo in his commission frame, receives his regular supply of blotting pads and inquiries as to why he don't "do something" with equal composure, and insures his own property with some agent that "knows all about it," and that will divide commissions with him in consideration of the fact that he is "in the business."

And, in connection with this question of the instruction of agents, it may be pertinent to inquire whether agents are not often changed when they only need instructing—whether it would not be better to post the old agent than to exchange one uninstructed agent for another equally in the dark?

I cannot close without an apology for having occupied so much time in telling you nothing new—nothing but what you were familiar with before. But while disavowing any such egotism as would be implied by assuming to *instruct* this Association, I hope I may have been able to direct its attention more earnestly to the importance of the subject which has been considered.

Mr. Grant—Mr. President: There is a special committee that might report here—the Dinner Committee. They have reported by means of a circular to each one who has shown an inclination to meet to-morrow night at the annual dinner, our first event of that kind. In case any one, by mischance, should have been overlooked, I will say that this dinner takes place to-morrow evening at 7 o'clock, at the Maison Dorée.

Mr. Bromwell—Mr. President: I move that we now adjourn, and postpone the election of officers until to-morrow evening. The dinner has been gotten up under the supervision of the present presiding officer of this meeting, and he should, of course, preside to-morrow evening; we should now adjourn.

Secretary—Mr. President: I will state that there is an application here for admission of Mr. Rudolph Herrold to membership in this Association. He is connected with the Hamburg-Bremen office.

The Secretary was ordered to cast the ballot, and Mr. Herrold was duly elected.

Secretary—Mr. President and Gentlemen: I want to speak on the subject of the renewal of subscriptions of the *Coast Review*, *Monitor*, *Law Journal* and *Insurance Times*. There has been no order given to the Secretary for the renewal of subscriptions for the current year.

Mr. Gunnison—Mr. President: I move that the Secretary be directed to subscribe for these periodicals just mentioned.

Adopted.

Mr. Clark—Mr. President: It has been announced from the chair that Mrs. Chalmers, the wife of one of our oldest members, has just died, and it would seem fitting that this Association should take some sympathetic notice of Mr. Chalmers' bereavement, and to that end I move that a committee of three be appointed to draft resolutions suitable to the occasion, the committee to be appointed by the Chair.

Carried.

The President then appointed as such committee Messrs. Clark, Kinne and Mel.

Mr. Dornin then moved that the report of this committee be spread upon the minutes of this meeting.

It was so ordered.

The Committee appointed to prepare resolutions of respect on the death of Mrs. W. L. Chalmers, made the following report:

It having been announced from the chair that the Great Adjuster, Death, has just appeared at the home of one of our oldest and most cherished members;

*Be it resolved* by the Underwriters' Association of the Pacific that we mourn the demise of Mrs. W. L. Chalmers as a loss to her bereaved husband and family, and a loss to society; that in the ashes we recognize a beautiful structure, the worth of which it is beyond the power of human arbitration to

fix; and while our deep sympathy is but poor compensation to the afflicted, we offer our sincere condolence to Mr. Chalmers and his family.

*Resolved*, That a copy of these resolutions be furnished Mr. Chalmers by the Secretary of our Association.

Z. P. CLARK,  
LOUIS MEL,  
C. MASON KINNE,  
Committee.

San Francisco, 15th February, 1881.

President Spencer—The Library Committee have made no report. I called upon the chairman of that committee some time ago to make a report, and have called upon him several times since, but he has failed to report.

Mr. Bromwell—Mr. President: Our library case is getting too small for the use we put it to—in other words, I am glad to say that our library is *increasing* so fast that the capacity of our book-case is entirely too limited. I think it is a safe proposition, Mr. President, to impose a little further upon the time and good nature of the Secretary of the Association, and I therefore move that the Secretary be empowered and instructed to dispose of the present library case and procure another, provided always that the funds of the Association will permit of the expenditure.

Adopted.

President Spencer—We have with us on this occasion our ex-President, and we are pleased to see him, and should be very glad to hear from him on this occasion.

Mr. Hopkins—Mr. President and Gentlemen: I am getting gray and old enough to step aside and see the young men come to the front. I am very much delighted to see how much smarter the young men are than the older ones, if I dare say so; but I am sorry you have asked me to say something when I have only to say that I bow my head to you with thanks in honor of superior talent.

Mr. D. J. Staples being called upon, said: Mr. President and Gentlemen—I did not come here to make a speech. I did not have the pleasure of meeting with you last year when reports were made, but I read them afterwards and I was delighted. This year I was determined to come. I was called away early in

the afternoon, and I am not now surprised that Mr. Hopkins failed to appear at the meeting of the Marine School which was appointed at this hour.

I will say, in my judgment, there is nothing that has transpired within the past fifteen years that has so much pleased me as this meeting of the underwriters. Mr. Hopkins and myself sit in the office and send our special agents over the country, and they make reports of the men they appoint, and of the difficulty and trials they have.

I know that I am not fitted by nature to be a special, but I am delighted with the character of the men that have developed in the business. Mr. Hopkins will remember, perhaps, longer than I can how few men there were in this special line at one time here, taking care of the general interests over the State, and how they have grown up since, and this gathering yearly and quarterly is, in my judgment, the best thing that can be done.

I have always advocated anything that would bring them together and knock off the rough edges of competition, and some of these papers read here to-day show that such meetings as these will be of good to all of us. I have not had the pleasure of meeting with you more than once or twice, but I will give you my word that, with your permission, gentlemen, I will come as often as I can hereafter.

Col. Kinne—Mr. President: There seems to be a feeling that we are to have a meeting to-morrow, and that meeting seems to be in the way of work here to-day. To-morrow night when we assemble, it will be to enjoy ourselves in a different way from to-day. There are several reports that we ought to act on to-day. In your own report; Mr. President, you spoke of getting papers from honorary members, and that our Secretary ought to notify them in ample time for them to give us reports. I move that the Secretary in the future be instructed to invite honorary members to furnish something from their pens.

Carried.

Mr. Grant—Mr. President: Part of our duty to-day is to elect officers for the ensuing year, and I propose we do not postpone it until to-morrow evening. I do not think we want to introduce many business features into that meeting—that is to be more of a social gathering. I do not think it will take many minutes to

elect a President. I have a nomination to make, and wish to present the name of Mr. Bromwell, and in doing so, to say briefly here why I am satisfied Mr. Bromwell would make a good President. He was one of the original members, and I am not sure but what he was the Association's original organizer. He is a young man, and lately a special with ourselves. When we first organized we had older men to fill this position, estimable men they were, and just such as we needed, but I feel that now we have found our age and able to stand alone, and for the next year I now propose the name of Mr. Bromwell as President.

Nomination was seconded. Nominations closed, and Mr. Bromwell declared elected.

President Spencer — Gentlemen: Mr. Bromwell has been elected my successor, and I extend to him a most hearty welcome to the chair. I believe, as Mr. Grant suggested, that Mr. Bromwell was the originator of this society, and I am sure that he is the most fitting member we have among us for the position.

Mr. Bromwell replied—Gentlemen of the Association: It is with unfeigned pleasure and pride that I accept the position as your presiding officer for the current year. For your esteem and confidence, and this pleasing evidence of it, I am especially grateful. I do not forget that, some five or six years ago—in 1875 I believe it was—that a handful of us met at Virginia City, huddled together in an ordinary sleeping car. There was our smoothy Clark, our painstaking Spencer, the practical Bailey, and the silver-tongued Dornin; the gay, festive and at the same time plodding and prudent Grant; and last, but not least, your modest President. We there shook hands together and adopted the time-serving motto, "In Union there is strength," and we organized thereupon by resolution of mine, it is true, that we associate ourselves together for the simple purposes—drowning of selfish interests, and the promoting of our whole interests as a corporate body of adjusters. I am particularly pleased at this annual meeting to say—and I am not assuming too much in so doing—that a great many of those benefits have been realized and are constantly being realized.

I will not take up your time, gentlemen, by any extended remarks, but again sincerely thanking you for this mark of your

esteem, we will now proceed to finish the business of the meeting by asking nominations for Vice-President.

Mr. Clark—Mr. President: I take pleasure in placing in nomination for Vice-President for the next year the sweet singer from Michigan, Mr. George F. Grant, nominally related to the presidential family, but not afflicted with any of its *vices*. I have known him long and well, and am sure he will make a good Vice-President.

Seconded and carried.

Mr. Grant—Mr. Chairman and Gentlemen: I thank you very kindly for the honor you have conferred upon me in nominating me for this office. I never in my life heard of a Vice-President making a speech, and I never knew of a Vice-President doing anything, and I therefore have no hesitation in accepting this office, and I thank you for it.

Mr. J. W. Staples was duly elected by acclamation to succeed himself as Secretary and Treasurer of the Association.

The following Executive Committee was declared elected to serve for the present year: Geo. W. Spencer, E. W. Carpenter, C. Mason Kinne.

After the discussion of minor matters, such as appointment of committees and their notification, the Association adjourned to meet at the Maison Dorée for their annual banquet next day.

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## SECOND DAY.

### ASSOCIATION BANQUET.

On the evening of the 16th, about fifty persons—members and invited guests—sat down to the annual dinner, given at the Maison Dorée. The spread was all that skill could devise, and music lent its charm. With coffee and cigars came a feeling of serenity reflected on the face of each one. Mr. George W. Spen-

cer presided over the feast in such a happy, felicitous manner that the youngest member was encouraged to give voice to his thoughts.

Toasts were discarded and impromptu speeches the order of the evening. Colonel Kinne made a decided hit. The places of honor near the President were shared by Messrs. Touchard, D. J. Staples, Boardman, Forman, Houghton, Hutchinson, Elliott and Haven, who gracefully answered the chairman's call.

Mr. Callingham rendered an original song, which was loudly applauded. In reply to the demand, he gave for an encore one of his best. Mr. Callingham's repertory is inexhaustible. George Grant was very happy and responded cheerfully with a fund of song and recitation. At midnight the band played "Auld Lang Syne," and all voices joined with heartfelt harmony. Handshaking and good-byes followed, and a spirit of good fellowship established then and there which never had existed before.

## MR. CALLINGHAM'S SONG.

### A MOTTO FOR AN INSURANCE MAN.

My friends, we have met in our own social way,  
Where all may be happy, you know;  
But whilst music and wine make us glad some and gay,  
We'll think of the duties we owe—  
We'll drink to the friends who have ever been kind,  
Who will stand by us all when they can,  
Advice in my song you will certainly find,  
And a motto for an insurance man.

CHORUS—So we'll sing and banish melancholy;  
Troubles may come, we'll do the best we can  
To drive dull care away, for grieving is a folly,  
Put your shoulder to the wheel  
Is a motto for an insurance man.

In our business pursuits, when troubles arise,  
Our principle is to adjust—  
To act on the square is prudent and wise,  
Each brother in business to trust:  
The merits of each we rate at the best,  
Their *exposure* we gladly hide,  
Nor seek for a fault in the east or the west,  
In faith with each brother abide.

Nor can we forget our adjusters and specials,  
Their trips and their troubles are legion;  
We have seen not a few hang on to a trestle,

Or the limb of a tree grimly freeze on.  
 On the road they are known as the stage-drivers' friend;  
 Oft times they have carried the stage  
 Their grit and their shoulders, if ever they bend,  
 'Tis sorrow and care to assuage.

We know what hard fare and rough tack they must take  
 When traveling a loss to report.  
 To-day, chills and ague; to-morrow, an ache;  
 On duty each hardship they court;  
 They'll fight to the death for justice and right,  
 Nor do they forget the assured;  
 Their duty they do making sad hearts light,  
 When fair play is fairly secured.

We drink to the health of our chieftains all,  
 For jolly good fellows are they;  
 Though fat and at ease they answer each call,  
 And their losses with promptness pay;  
 We'll drink to our aids and our brokers too;  
 No small share of the work is theirs  
 Though some time proposed to cut rates 'tis true,  
 But we all have our troubles and cares.

And whilst we are glad and our wine cups are full,  
 Let us drink to our home offices too;  
 They are men we esteem, and never will pull  
 A man who his duty will do.  
 They have stood by us all when calamity came  
 And strengthened us every one;  
 And when our slight faults they have honestly blamed,  
 'Twas kindly and gently done.

And now, old friends, let us drink to ourselves,  
 Our homes and our household gods,  
 To our wives and our sweethearts, the dear little ones,  
 Against the world we give them the odds.  
 Whilst we gladden their hearts we gladden the world;  
 For gladness is catching you know;  
 So up with your glasses love's banner unfurled,  
 We'll drink to them all ere we go.

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## COMMISSIONS AND COMPENSATION TO SUB-AGENTS.

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A paper read by W. J. Callingham before the quarterly meeting of the Fire Underwriters' Association of the Pacific, held in the Board Rooms, San Francisco, November 16th, 1880.

This is a very important question for the consideration of underwriters, in fact, every thinking man interested in the management and success of his

company, or companies, should give this grave subject his consideration and aid in counteracting the demoralizing effects, which have already shown themselves, and will, unless controlled, prove a stumbling block in the pathway of harmony among the underwriters of the Pacific Coast.

The beginning of this demoralizing influence was brought about by some few companies endeavoring to gain an advantage over their competitors by offering the inducement of extra and excessive commissions, to secure upon their books certain classes of hazards, and possibly, under the rates then obtained, were in a position so to do, and trust to luck for a small margin of profit.

When once the ice was broken, other companies began to fall in, and made the additional commissions cover on all classes of hazards, which became the rule and not the exception, and so this great and unnecessary evil continues to grow and is still growing.

When I first started in the field for the North British and Mercantile Insurance Company, in 1868, the rule was to make your arrangements for country representation upon a 10 per cent. basis, since which time they have been advanced to almost a universal 15, 17½, 20 and 25 per cent., and possibly in some and perhaps many instances exceeding even these disproportionate amounts of the premiums received. This unearned, and I think I am right in saying, ridiculous payment of commissions to sub-agents and brokers, results in a serious loss to all well established general agency officers, by the multiplication of middle-men; then again, this very excessive compensation naturally encourages the broker element, and places them in a position to dispose of a part of their commission to the assured, and really do better by his patron than the offices themselves, if they stick fairly and squarely to the rules and restrictions of our Board of Underwriters.

This state of affairs, brought about by the companies themselves, through their officers and general agents, as a very natural consequence greatly increased the already formidable army of brokers, middle-men and so-called agents, which very necessarily brought about a very sharp competition (*which is still existing in our midst*), and opened the door for the broker, middle-man and agents—in fact, any one placing business to do so with companies that were the greatest demoralizers, by becoming the highest bidder for the business.

From these causes companies and general agents' expenses have been increased from the good old days of 10 per cent., to the exorbitant figures as before stated, and the result is that the first-class Board companies and agencies suffer by this change and demoralizing influence.

These serious causes and processes are in active operation among us at this time. The stability and only safeguard we have from utter demoralization, viz., the Board of Underwriters, is threatened and imperiled. Companies and general agents' expenses are increased by these increased commissions brought about by reckless short-sighted greed for business. With the existing rates it can be demonstrated that there is a very small margin of profit in the business, therefore any additional expenses incurred must inevitably bring loss. This period seems to have arrived, and it concerns every field man, officer and general agent. We, all of us, in our respective

fields and duties, take pride in profitable results, and if, year after year, the results show a continuous loss, whether from causes within or outside of our immediate control, the day of reckoning must come, and you, gentlemen of the field, will have to take your share of the responsibility as well as officers and general agents. It concerns every one of us that feels interested in the prosperity of our companies and in profitable results, to watch closely and make it our business to see that expenses and losses do not exceed incomes. Commissions being one of the largest items of expense, it behooves you all, as special and supervising agents, to use your influence with each other, and in the field, towards confining this matter of commissions and compensation, of whatever nature it may be, whether in the form of allowances for office rent, horse and buggy, expressage, postage, exchange, or a bonus of any kind or form, to a fair remuneration for services rendered, which should be in a reasonable proportion to the income. And also place it out of the power of the agent to divide or rebate any portion of said commission, thereby deviating and tampering with the tariff and rules of the Board of Underwriters. Do not throw the responsibility from your shoulders to those of superior officers, managers and general agents and say that this is a matter for their decision. This is true to some extent, but in your positions in the field your influence can be used in aiding them to a clearer judgment of the position of things in the field, for it is through you that they obtain the information upon which the machinery is run. You are accountable to them, and they in turn are responsible to the companies and stock-holders, whose funds they administer. If mismanagement ruins the company all suffer alike, and it is gross mismanagement that permits expenses and losses to exceed income year after year, and as losses are not a fixed sum, while expenses may be limited, it is sound reasoning to expect they will and of right ought to be. The business for the past year as an aggregate has not paid an average margin of profit of 3 per cent.

The following statistics, taken from the report of the National Board Committee on Statistics, made April 28th, 1880, prove the fact:

The total amount paid in 1879 for fire premiums.....	\$53,677,098 87	
Marine and inland premiums.....	6,368,831 40	
		\$60,045,930 27
Total amount paid in 1879 for fire losses.....	\$31,542,243 23	
Marine and inland losses.....	5,151,298 62	
Expenses .....	21,033,756 64	
		57,727,298 49
Showing that losses and expenses for the year were 95 95-100 of the premiums received.		
The profits on the whole business for 1879 were..		\$2,318,631 78
Deduct profits of the foreign companies.....		683,406 14
Leaving.....		\$1,635,225 64

as the net for American companies for 1879, or 2 38-100 per cent on the amount of capital invested.

Thus is shown the profit on underwriting account for 1879. The dividends paid, amounting to \$7,544,883, were obtained from investment or interest accounts. This showing does not reflect much credit upon fire underwriting,

and it must be remembered that this money would have produced this amount of interest if no policies had been issued.

The time has arrived for underwriters of the Pacific Coast to profit by the experience of the older and more experienced States, and turn their attention to the reduction of expenses in our business. True wisdom, contemplating the best interest of agents as well as companies and their permanent aids, suggests a united effort towards a return to reasonable compensation and commissions to agents.

W. J. C.

## LIST OF OFFICERS FOR 1881.

---

L. L. BROMWELL. ....	President.
GEO. F. GRANT... ..	Vice-President.
J. W. STAPLES.....	Secretary and Treasurer.

### *Executive Committee.*

GEO. W. SPENCER,	E. W. CARPENTER,	C. MASON KINNE.
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### *Standing Committees for 1881.*

#### LOCAL AGENTS.

O. H. Cole,	Louis Mel,	W. W. Haskell.
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#### FORMS OF POLICIES.

C. Mason Kinne,	A. P. Flint,	Wm. Sexton.
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#### LOSSES AND ADJUSTMENT.

Z. P. Clark,	J. R. Garniss,	S. E. Strickland.
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#### LEGISLATION AND TAXATION.

A. D. Smith,	W. J. Landers,	J. F. Houghton.
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#### FIRE DEPARTMENT AND WATER SUPPLY.

S. B. Rigger,	W. P. Thomas,	C. M. Nichols.
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#### STATISTICS.

E. Brown,	Geo. W. Spencer,	S. O. Hunt.
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#### LIBRARY.

Jas. W. Staples,	W. J. Callingham,	R. H. Naunton.
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#### CALIFORNIA KNAPSACK.

C. Mason Kinne, Manager,	Geo. F. Grant, Associate.
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## LIST OF MEMBERS.

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- L. L. Bromwell, Vice-President, California Insurance Company.
- Geo. F. Grant, Special Agent and Adjuster, North British & Mercantile & German-American Insurance Companies.
- Z. P. Clark, Special Agent and Adjuster, Hutchinson & Mann agency.
- Wm. Sexton, Special Agent and Adjuster, Fireman's Fund Insurance Company.
- A. D. Smith, General Agent, Northwestern, Amazon, and Fairfield Insurance Companies.
- Wm. Doolan, Special Agent and Adjuster, State Investment and Insurance Company.
- Geo. W. Spencer, Manager, London & Lancashire and Manchester Insurance Companies.
- J. W. Staples, Special Agent and Adjuster, London and Lancashire and Manchester Insurance Companies.
- E. Brown, General Agent, Phenix, Star and other Insurance Companies.
- A. J. Bryant, President, State Investment and Insurance Company.
- J. R. Garniss, Adjuster, 320 Sansome St.
- J. D. Bailey, General Agent, Union Insurance Company.
- A. R. Gunnison, Special Agent and Adjuster, Commercial Insurance Company.
- Robert Dickson, Manager, Imperial, London, Northern, and Queen Insurance Companies.
- Geo. D. Dornin, Secretary, Fireman's Fund Insurance Company.
- \*Henry Smith, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.
- H. W. Snow, General Agent, American Central, Metropole and Reassurances Generales Insurance Companies.
- W. J. Landers, General Agent, Guardian Assurance Company.
- E. E. Potter, General Agent, Oakland Home and other Insurance Companies.
- J. F. Houghton, President, Home Mutual Insurance Company.
- W. J. Callingham, General Agent, South British and National Insurance Companies.
- †D. L. Kirby, Associate Manager, Royal Canadian Insurance Company.
- †W. W. Dudley, Illinois State Agent, German-American Insurance Company.
- Wm. MacDonald, Special Agent and Adjuster, Imperial, London, Northern and Queen Insurance Companies.
- C. T. Hopkins, President, California Insurance Company.
- W. L. Chalmers, Special Agent and Adjuster, Hutchinson & Mann's Agency.
- J. R. Hamilton, General Agent, Commercial Union Assurance Company.
- T. C. Grant, General Agent, North British & Mercantile and German-American Insurance Companies.

Chas. H. Cushing, Secretary, State Investment and Insurance Company.

\*W. J. Stoddart, Agent, New York Underwriters' Agency, etc.

A. P. Flint, Manager, Hartford Fire Insurance Company.

Hugh Craig, General Manager, New Zealand Insurance Company.

H. R. Mann, Agent, Hutchinson & Mann's Agency.

Julius Jacobs, Agent, Jacobs & Easton Agency.

Geo. Easton, Agent, Jacobs & Easton Agency.

†Jas. Kip, formerly of the London Assurance Company,

Samuel D. Mayer, City Agent, Commercial Union Assurance Company.

Dave Rorick, Perry, Jefferson Co., Kansas.

C. P. Ferry, Inspector of Agencies and Adjuster, Portland, Oregon.

†E. E. Ryan, Agency, 110 La Salle St., Chicago, Ill.

Oliver Hawes, General Agent, Connecticut Fire Insurance Company.

S. O. Hunt, Agent, Jonathan Hunt, Son & Co's Agency.

D. J. Staples, President, Fireman's Fund Insurance Company.

Wm. Frank, General Agent, Hamburg-Magdeburg Fire Insurance Company.

\*Henry Balzer, Agent, Svea, North German, and Helvetia Insurance Co.'s.

L. Beck, City Agent, Phoenix (London), British America, and Western (Canada), Insurance Companies.

C. M. Nichols, Surveyor of the Board of Fire Underwriters.

C. J. Van Tassel, General Agent, Continental, Niagara, and Commonwealth Insurance Companies.

O. H. Cole, Adjuster, Continental, Niagara, and Commonwealth Insurance Companies.

T. A. Mitchell, Agent, Jonathan Hunt, Son & Co.'s Agency.

F. F. Stone, Agent, Lamar and Allemania Insurance Companies.

C. Mason Kinne, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.

P. Outcalt, Adjuster, 320 Sansome St.

J. C. Jennings, General Agent, Manufacturers' Insurance Company.

Geo. E. Butler, General Agent, S. F. Agency Phoenix Assurance Company of London, British America, and Western Assurance Companies of Canada.

Chas. D. Haven, Secretary Union Insurance Company.

E. W. Carpenter, Special Agent and Adjuster, Fireman's Fund Insurance Company.

†W. N. Olmsted, 62 Cedar St., Room 10, New York City.

Geo. W. Dornin, with Fireman's Fund Insurance Company.

W. P. Thomas, Special Agent and Adjuster, South British and National Insurance Companies.

W. W. Haskell, of firm Brown, Craig & Co.

Louis Mel, Special Agent and Adjuster, Royal, Norwich, Union, and Lancashire Insurance Companies.

J. P. Cox, with Hutchinson & Mann's Agency.

†J. G. Edwards, Editor *Coast Review*, 320 Sansome St., San Francisco.

†A. Hill Jack, General Manager, National Fire & Marine Insurance Company of New Zealand.

R. E. Drake, Special Agent and Adjuster, Jacobs & Easton Agency.

R. H. Naunton, Special Agent and Adjuster, Commercial Union Assurance Company.

Jno. C. Staples, Special Agent and Adjuster, Hutchinson & Mann Agency.

T. E. Pope, Special Agent and Adjuster, Ætna Insurance Company.

S. E. Strickland, Special Agent and Adjuster, Butler & Haldan Agency.

S. B. Riggen, Special Agent and Adjuster, Connecticut Fire Insurance Company.

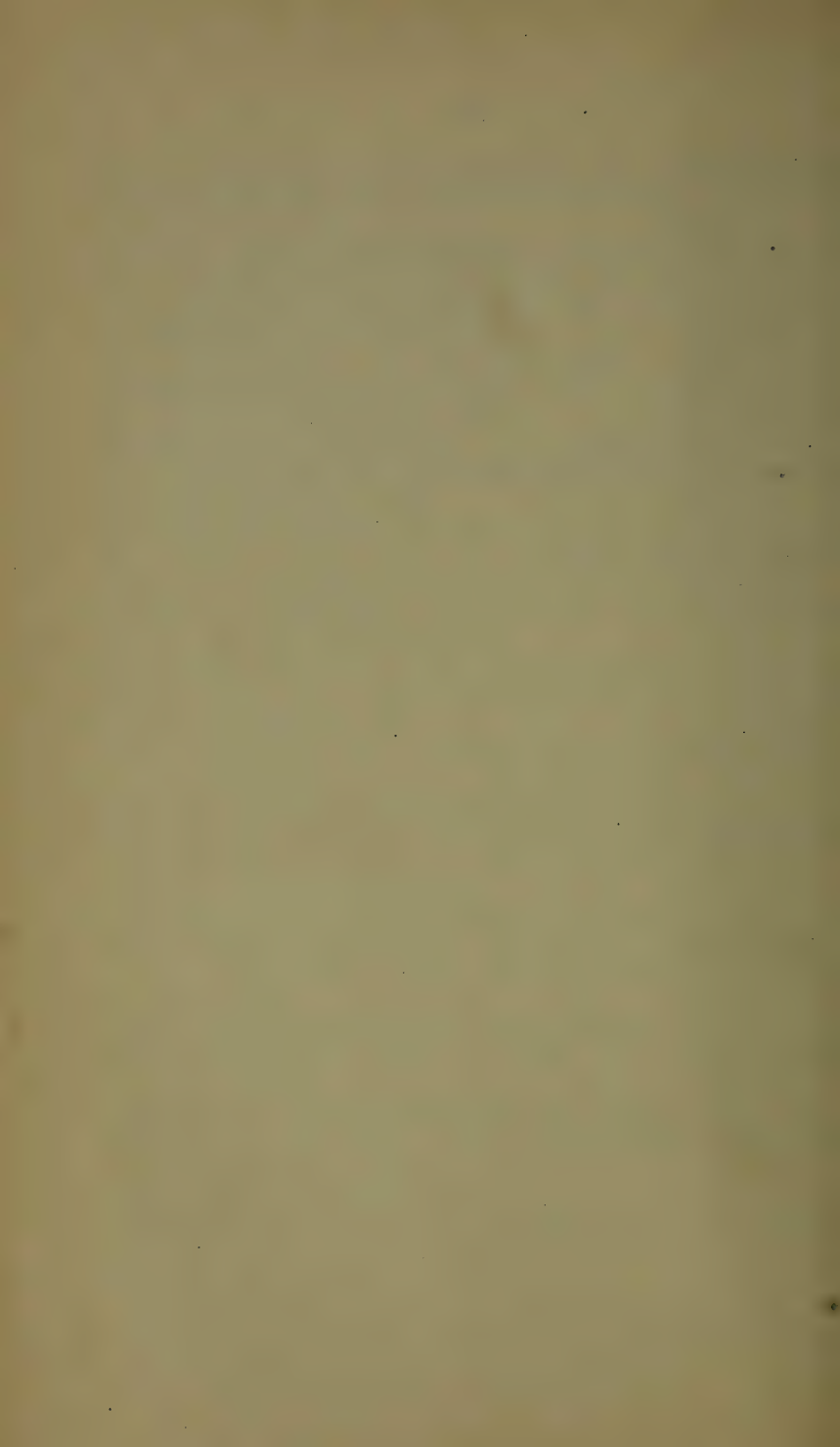
Alfred Stillman, General Agent, Manhattan Fire Insurance Company, New York.

W. G. Elliott, General Agent, Commercial Fire and United Fireman's Insurance Companies.

Rudolph Herrold, Surveyor, Hamburg-Bremen and other Insurance Companies.

\* Deceased.

† Honorary Member.



PROCEEDINGS

OF THE

SIXTH ANNUAL MEETING

OF THE

FIRE UNDERWRITERS'

ASSOCIATION OF THE PACIFIC,

HELD AT

SAN FRANCISCO, CALIFORNIA, FEBRUARY 21ST, 1882.

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*Printed by Order of the Association.*

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SAN FRANCISCO:

GEORGE SPAULDING & Co., STEAM BOOK AND JOB PRINTERS,

414 Clay Street, below Sansome.

1882.



PROCEEDINGS  
OF THE  
SIXTH ANNUAL MEETING  
OF THE  
FIRE UNDERWRITERS' ASSOCIATION  
OF THE PACIFIC.

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The Sixth Annual Meeting of the Fire Underwriters' Association of the Pacific, was held in the rooms of the Board of Fire Underwriters of San Francisco (216 Sansome St.), at eleven o'clock A. M., on the 21st day of February, 1882.

L. L. Bromwell, Esq., President, in the chair.

The following members of the Association were present during the session: Messrs. L. L. Bromwell, Esq., President, Geo. F. Grant, Z. P. Clark, A. D. Smith, Geo. W. Spencer, A. J. Bryant, J. R. Garniss, A. R. Gunnison, Geo. D. Dornin, E. E. Potter, W. L. Chalmers, A. P. Flint, Julius Jacobs, Oliver Hawes, S. O. Hunt, D. J. Staples, C. M. Nichols, O. H. Cole, T. A. Mitchell, C. Mason Kinne, Geo. E. Butler, E. W. Carpenter, J. G. Edwards, R. H. Naunton, T. E. Pope, W. G. Elliott, Chas. P. Farnfield, L. B. Edwards, Homer A. Craig, Edward Farnsworth, J. W. Staples.

Mr. R. H. Drake, being no longer in the insurance business, ceases to be a member.

President—The Secretary will read the minutes of the last quarterly meeting

The minutes were read, and no objection being made, were ordered to stand approved as read.

Minutes of special meeting held Dec. 27th, 1881, were then read and approved.

Secretary—Mr. President, before we proceed to the regular order of business I would make a motion, that the regular order of business be suspended, and we proceed to the election of members, as there are applications of Messrs. H. A. Craig, W. J. Dutton and Edward Farnsworth for membership, and these gentlemen are desirous of being present and participating in the deliberations of this meeting.

The motion was duly seconded and carried.

Secretary—I have here the application of Homer A. Craig, who is associated with Messrs. Brown, Craig & Co.

On motion, the Secretary was instructed to cast the affirmative vote of the Association for Mr. Craig—this being done, Mr. H. A. Craig was declared duly elected.

The same course was pursued in the cases of Mr. Wm. J. Dutton, Secretary of the Fireman's Fund Ins. Co., and Mr. Edward Farnsworth, of Farnsworth & Son, both being declared duly elected.

President—I now call for the Treasurer's Report.

Treasurer—Mr. President and gentlemen: The Treasurer's Report is simply a plain statement of receipts and expenditures, and requires no comment or explanations.

### TREASURER'S REPORT.

*Fire Underwriters' Association of the Pacific in account with J. W. STAPLES,  
Treasurer.*

1881.	Dr.	
Feb. 15.	Balance on hand and in Bank.....	\$112 18
1882.		
Feb. 21.	Received from dues and fees.....	172 50
		<hr/> \$284 68

1181.		Cr.	
Feb. 15.	Paid telegram to Hon. J. A. Brumsey, Carson...	\$1 55	
" 21.	" bill, J. G. Hilzinger, electric pen work.....	5 00	
" "	" <i>Ins. Times, Spectator, Monitor, Law Journal,</i> <i>Coast Review</i> and P. O. orders.....	18 90	
" "	" D. Hicks & Co., binding ins. papers (2 bills)	7 50	
Mch. 23.	" Geo. Spaulding & Co., printing 225 copies..	74 00	
Aug. 13.	" C. M. Nichols, moving Library.....	2 00	
" "	" John Wallace, printing postal cards (3 bills).	5 25	
Dec. 24.	" J. W. Staples, salary.....	50 00	
" "	" A. L. Bancroft & Co., "Woods on Ins.".....	6 50	
" 28.	" W. J. Heney & Co., Library Case.....	42 00	
Jan. 28.	" J. D. Haines, electric pen notices.....	1 00	
Feb. 20.	" California Ins. Co. policy, No. 21,587.....	3 00	
" "	" Postage at various times.....	50	
" "	" C. W. Gordon, printing.....	2 25	
	Balance.....	65 23	
			\$284 68
	Cash on hand.....	\$2 65	
	Cash in Bank.....	62 58	
			\$65 23

J. W. STAPLES, Treasurer.

San Francisco, Cal., Feb. 21, 1882.

E. & O. E.

## PRESIDENT'S ADDRESS.

President Bromwell then delivered his Annual Address as follows:

*Gentlemen of the Underwriters' Association of the Pacific:*

The occasion has again arrived when our yearly dues to Father Time are to be summed up and settled; from the Journal of past experiences we have met for the regular posting into the Association Ledger, the debits and credits of a progressive fellowship; in the calm of meditation and reason we shall, at this halting, strike the Sixth Annual Balance Sheet, and as far as practicable, apply its results toward *polishing*, at least, the perturbation of our business future. Following up the simile, there is no necessity of any dissimulation in handling the cross entries of past accounts—the *sine qua non* of our periodical grouping is neither sentimentality nor sociability, but rather to satisfy the demand of enterprising minds for discussion, reflection and improvement; to eliminate from our practice all elements of a pernicious or disturbing character; to foster, encourage and perpetuate a code of principles, calculated to stimulate and *fortify* the business, and last, but by no means least, elevate the professional standard of the special and adjusting agent.

That old-time axiomatic truth, "the corruption of the best is productive of the worst," has asserted its demoralizing influence throughout all com-

mercial and social life, but in no other calling have its effects been *more* fully realized or appreciated than in that of Fire Underwriting. Conceiving this fact to be incontrovertible, I must be excused from any sugar-coating of the

#### RETROSPECTIVE

Of this address when dealing with matters or things opposing the future best interests, either of the business or of this Association. It will not tax the memory of many of us to recall the period when our premium incomes were secured by slanderous and reprehensible means, retained by similar practices, and losses generally adjusted with a total disregard of honorable or trustful courtesy as between interested adjusting colleagues. Up to the memorable Chicago, Boston and Virginia City fires, the man who could with equal cunning and skill, pretend to be what he was *not*, or *not* to be what he really *was*, filled the measure of an average underwriter. In fancied security, he looked with indifference upon the dangers of others until "General Conflagration," the great leveler of the fraternity, made misfortune a common inheritance, and *compelled* the recognition of that unity of interests, of which this Association is but *one* of the outcroppings. We cannot pretend that this organization has accomplished even a moiety of its mission, nor can we hope for an unfolding and bountiful harvest of good which the soil must eventually yield to the seed we so diligently plant from year to year. A business that has cultivated distrust in the past as a policy, must undergo many and serious trials, both within itself and with a public keenly *sensitive* to its shortcomings, before souls as well as soils, can conquer inherent rankness and liability to weedy suspicion and consequent knavery, artifice and stratagem. If association be expedient in times of wholesale disaster, how indispensable and necessary to *prepare* us for conflict and intelligent defense. The underwriter in these advanced days who voluntarily sits apart from his brotherhood in settled distrust, breeds *mischiefs*, and will always bear watching. We are glad to say, however, that these suspicious obliquities are now the ridiculous exception, certainly not the *rule* with

#### OUR HONORABLE FRATERNITY.

The first meeting for contemplation of this organization, was held in the "Palace Hotel Car," Virginia City, Nevada, October 28th, 1875, at which thirty-four of our members were present. In December following, the idea took permanent shape, by the adopting of a Constitution and By-Laws, and a resolution perpetuating the Association as a "means of disseminating valuable information, and elevating and promoting the interests of its members." From its inception, the Pacific Association has increased in numbers and usefulness. Our roll call now approximates seventy-five, but I find that eighteen of this number only, have furnished *all* the papers on practical subjects, during the five years of our existence—this same dereliction of duty, likewise embarrasses our sister associations eastward. There is manifestly too much shirking, and too many of us exhibit a total indiffer-

ence as to the *intellectual* portion of the programme! Be it said, however, we have no stragglers at the feast *following* our quarterly and annual meeting. It is now in order for the large majority who have *not* heretofore honored us with their contributions, to furnish exemplary relief to the hardworked minority, on whom thus far, have fallen the burden and heat of the day.

"For as the light  
Not only serves to show, but render us  
Mutually profitable; so our lives  
In acts exemplary, not only win  
Ourselves good names, but to others give  
Matter for virtuous deeds, by which we live."

At the risk of trespassing within the limits of cynicism, permit me at this juncture to refer in no uncertain language, to the slack attendance upon our quarterly meetings. Our business can scarcely be so pressing—our engagements hardly so exacting—as to prevent a respectable audience to those gentlemen invited to administer to our entertainment and instruction on these occasions. Reasonable or acceptable excuses are few, for this pointed discourtesy—for this almost unpardonable slight, to those who unselfishly labor to promote and aid our confederate interests. The Association is *not self-operative*, and attendance upon all meetings, is a primary duty to be religiously observed, or we retrograde from a practical and useful Association, down to the level of a mere sentimental side-show.

During the past year it was my privilege, as your representative, to visit

#### THE FIRE UNDERWRITERS' ASSOCIATION OF THE NORTHWEST,

And be present at the Twelfth Annual Meeting, held at Chicago, September 14th and 15th. Honored with the prerogative of the floor, and a cordial and sincere welcome, I was at once made to "feel perfectly at home." Without encroaching upon the authority or peculiar views of executive management, the field workers composing that Association, intelligently unravel the intricacies of hazard, agency and adjustment, and have grown in power and influence, until as an important adjunct to the Northwestern business, the Association is well nigh indispensable. Their meetings are well attended, and are signalized by debate and discussion of inestimable benefit to participants and the profession at large. I bear to you, gentlemen, in response to your greeting to them on the occasion referred to, honest and hearty expressions of good will and fraternal esteem. If the opportunity is ever accorded us of receiving a Northwestern committee, I bespeak unstinted reciprocity on the part of this Association, for *their* courteous hospitality to *your* representative.

I now approach, with some diffidence, the recommendatory portion of my address, looking to the

#### PROSPECTIVE

Increased usefulness of the organization; I confess diffidence, because I feel incompetent to awaken that increased and wholesome interest on the part of

members, so necessary if the purposes of our confederation are to be fully and completely carried out. The few who have thus far created and preserved the Association by WORK, are regarded as very little short of milling machines, into which are gathered the facts to grind out free grist quarterly and annually for the general fraternity. We must continue the presentation of papers by *rotation*, covering the almost immeasurable range of our business, without, of course, intruding upon the limits of executive management; the researches of a Special and Adjuster as such in this ever-varying business, are almost boundless, and if the *application* is made of labor's results, we will exhibit a healthy progress, and ultimately win the reward of approval we strive for. If we shall resolve ourselves into husbandmen all, and—

“ Not leave the tending of our vines  
For the heat o' the sun, till it declines,”

Our future will be fruitful, and the yield compensative and satisfactory. In this connection, also, permit me to advise that all papers hereafter submitted receive necessary time for discussion and debate, for “what we now defend by example will at future periods stand as precedent.” Sifting of our subjects by debate better qualifies us for argument generally, and more than all else, contributes to the permanent lodgment of facts in our minds for ready future reference and use.

#### CONTRIBUTED PAPERS SHOULD BE REFERRED TO APPOINTED COMMITTEES

For an immediate reporting of their salient features, and thus present to the association in a condensed shape all such points as are debatable. To make these discussions valuable, effective and productive, every member should actively participate; there is no doubting the virtue of an argumentative review of all our topics, when fresh and directly after they are presented.

As a means of further enhancing the usefulness of this association, I beg to submit for your consideration the propriety of maintaining a record of all perfidious and untrustworthy agents within the Coast jurisdiction. The standing Committee on Local Agents can from year to year pass in judgment on cases brought to its attention, and all instances of unfaithfulness reported to the Secretary for registry in the Black Book, with or without the evidence or causes of conviction. It is due the host of agents forming the great factor in our business success, and who are capable, diligent and honest, that the impious ilk who betray our trusts and are totally lacking in honor, fidelity or truthfulness, should be branded and advertised amongst ourselves, as

#### BLACK SHEEP TO BE AT ALL TIMES AVOIDED.

Every agent holding a commission of authority, makes for himself a reputation with his headquarters—good, bad, or indifferent; and the fractious transgressors of correct practices only feel the restraint of law or the results of exposure. In compliment to such of our correspondents as we esteem and appreciate, as well as to fortify our calling against the plague sores which

occasionally disease the whole system, I recommend measures of this kind to be religiously followed up as a part of our associate duties. The wholesome exercise of prudence in bestowing these important trusts would elevate and make the position of Local Agent as much respected as it is respectable and honorable.

At our quarterly meeting held in August last, one of the members was denied a committee, before whom could be discussed the merits or demerits of an adjusting problem. There may have been some good reason not appearing on the minutes for such refusal, but I warn the Association that we must not shirk our responsibilities in this direction, and avoid the free discussion and interchange of opinions, on all topics likely to improve the status of our business—especially as regards the niceties and intricacies, besetting loss apportionments or adjustments. It is one of our highest privileges as contributing members of the association, to not only *ask*, but *exact* your corporate assistance towards disentangling the kinks and smoothing away the worries of ill-defined rules of practice.

#### THE QUESTION OF REFORMING PER DIEM CHARGES FOR ADJUSTING,

Which was by motion duly submitted to the standing Committee on Losses and Adjustments, will be brought before you in the shape of a committee report at this meeting. It is a mistaken notion that we have the power to govern absolutely, the charges to be made for service of this character, but a rule which admits incompetency to the same remuneration as is paid to skill and diligence, and seemingly prevents the latter from receiving the worth or value of merit, should not be allowed to cumber our record. Every particular adjustment, as well as the particular adjuster employed, demands especial compensation, which no fixed or uniform rule can justly apportion or be made fairly applicable. The *service rendered* as shown by the face of an adjustment, and *its results*—the attending circumstances with the work and talent employed, should more largely enter into the calculation of value as to service rendered, than mere physical discomforts or inconveniences of travel. I take the liberty of making reference to the proposition, because the argument advanced in support of the proposed reduction in schedule charges is based upon the improvement, and resultant comforts of our travelling facilities, as if this cut any important figure in the “wear and tear” of the “upper story,” if adjusters faithfully and assiduously prosecute their undertakings.

#### THE FRATERNIZING OF PROGRESSIVE UNDERWRITERS,

Has proven itself not only expedient and suited to the times, but especially adapted to the special agent and adjuster; while our individual interests may diverge for a time, there is, nevertheless, a common bivouac where we must all encamp, if the governing laws and principles of insurance are to be utilized, and the best interests of the business subserved with dignity and credit. We must cultivate trustfulness and fidelity amongst *ourselves*, if we are to win by fructification the results of grafting the varied experiences of

others. Only by the closest of communion and perfect understanding, can we successfully cope with the prejudices of legislators, judges and juries, who simply mirrorize public opinion after all. As certainly as the crimes of incendiarism and fraud are intrenched as formidable enemies of underwriting, so certain is it that *we* must mass our forces and make common defense, or acknowledge that we *encourage* and promote crime. Association is the key to a thorough knowledge of our brotherhood. Commingling of this character, *impels* greater regard, personal attachments and lasting friendships, which in turn procreates loyalty, probity, honesty, honor! Our estimates of each other, *without* companionship, are frequently erroneous and unjust, filling life as well as business, with discord and distemper, and in the end, reach with pernicious effect,

THE INNERMOST CORE OF OUR RESPECTIVE INTERESTS.

We must remember that

"Within the oyster's shell uncouth  
The purest pearl may hide,"

And forbear invoicing the qualities of the man, until we have broken through the exterior and invaded by ripe acquaintance—the *interior*. Now and then in the path of observation, we have seen the rough outside and almost repelling front, suddenly melt away and reveal a character warm and fraternal—a heart loyal and true—the veritable soul of honor and faithfulness. As an evidence of our fraternity, as well as to keep green our recollections of their many virtues, I desire to here call the roll of those of

OUR NUMBER WHO HAVE CROSSED THE UNKNOWN GULF

Since the date of our organization, and whose lasting slumber, while furnishing *them* coveted rest and peace, fill us with saddened awe on these occasions of re-union.

The first to fall and wrench with sorrow the heartstrings of *all* who knew him, was our beloved Harry Smith. Next in order, the patient and plodding W. J. Stoddart; and lastly, the warm-hearted and genial Henry Balzer.

We "will preserve and keep fresh like flowers in water," the memory of those lives which linked with ours in the past, have only *preceded*, not forsaken us.

In conclusion, let me impress upon the minds of our underwriting family these important thoughts: The remaining portion of our brittle lives is marked by the horizon of earth and sky, just before us—from the fated road on which we hurry forward, we cannot turn to the right or left—the time left us for action is limited at best, and duty to ourselves requires that our aims and purposes should be promptly carried out—our friendships fast and unwavering—that when the curtain falls on life's busy stage, we shall leave some *other* epilogue than the mere record of an unimportant death.

We should—

“Live in deeds, not years—in thoughts, not breaths.

“In feelings, not in figures on a dial;

We should count time by heart-throbs.

“He most lives, who thinks most—feels the noblest—acts the best.”

President—Gentlemen, we are now ready for the Report of the Committee on Local Agents, Mr. O. H. Cole, Chairman.

Mr. Cole—Mr. President, two years ago it was my misfortune to follow an address by my friend Carpenter; now it seems to be my misfortune to follow an able address by yourself—still, we will do the best we can.

## REPORT OF COMMITTEE ON LOCAL AGENTS.

*Mr. President and Gentlemen of the Fire Underwriters' Association of the Pacific*—The intimate relations existing between the Local Agent and the Special, so closely connect the two, that it is extremely difficult, not to say impossible, to bring into notice any of the duties pertaining to the one, without, to a certain extent, entering upon the sphere of the other. While therefore, we are supposed to confine ourselves to the Local Agent, and to his particular province, we beg your indulgence if we partially diverge from the technical path, and offer in connection herewith some suggestions bearing not only upon the duties of a Local toward his company, but also upon the Special's towards the Local. In a section of country so vast, in a geographical sense, as is the Pacific Coast, yet owing to its comparative youth, so undeveloped and sparsely settled, the duties of the Special Agent may be said to differ somewhat from those of his contemporary in the East; and while, in the theory, very little difference may exist, its practice naturally varies, and we find ourselves oftentimes compelled to deviate from the customary usages of our profession, and to devise some new plan to conform to the exigencies of the occasion.

### THE CONSTANT ACCESSION TO OUR RANKS,

Brought about by the various changes incident to the business, naturally brings with it increased competition, the bearings of which are brought heavily upon the Local, and it is oftentimes at these particular periods, when the Local is besieged by the Special of some new arrival, that the true relations existing between him and his older company or companies, and with their Specials, are properly defined. Unlike the practice of a few years ago, when the agency of a company was sought after by the Local, strong and numerous arguments are now, in the main, necessary to induce any of the older Locals to accept any new appointment. The nature of the arguments

thus brought to bear, varies. Should the Special be long and favorably known to the Local, he will, perhaps, have no great difficulty in so planting his agency as will secure to his company its fair proportion of any and all new business; but more than this he cannot reasonably expect, unless in the event of some other than ordinary arrangement being entered into, whereby the volume of business may be materially enhanced.

#### A FAVORITE METHOD OF ATTAINING THIS RESULT

Is the allowance of a higher rate of compensation, either in the shape of commission, guarantee, or other inducements of a similar nature, and as with most men, the pocket is a vulnerable point, this method generally proves successful. There are, however, some few instances extant, wherein even this plan has proved unavailing, and where an agency once properly established and maintained has withstood the blandishments of many a severe ordeal.

Many of our oldest Locals refer with reasonable pride to their long adherence to the company with whom they first embarked, notwithstanding the glowing proposals as made by others, and the numerous arts and devices of the Special to entice them away from their allegiance.

And here, too, is that first company entitled to an equal ratio of our respect, in so far as it has been through their strict adherence to business principles, and by courteous treatment, that this result has been attained. It is here that we find the truly reliable agent; one who not only looks properly after his renewals, and the accession of new risks, but at all times and in all cases, so conducts the minor details of his business as will afford little or no trouble to his principal, and will occasion few, if any

#### REMINDERS OF REMISSNESS ON HIS PART.

His applications forwarded promptly are correctly diagrammed and contain other necessary information. His account is uniformly mailed to the head office in due season, and it is his study to keep himself properly and fully informed as to the duties and requirements of his position, and to conform thereto.

There is, on the other hand, the "happy go lucky" agent. His business is large; he is "hail fellow well met" with all of the Specials; will give them all some business, believing, by this course, that he makes a staunch friend of each.

Unlike the practices of his neighbor, his affairs are loosely conducted. He sends the new company a considerable amount of business, but when comes the time for accounts to be squared, he is often found to be "just a little short," and the company is requested to wait for a few days.

The few days pass, and while the company is quite anxious to collect its due, it is also equally desirous to retain the agent's good will, hoping thereby for an increase of business. The sequel is a still longer credit and an unsettled account constantly increasing, and here is laid

## THE BROAD FOUNDATION OF A DANGEROUS PRINCIPLE,

One which, sooner or later, will react upon all therewith connected. To the Local as to the company, it is equally dangerous, for it engenders carelessness and extravagance, and the end for him is disaster, if not disgrace.

In this important particular it is in the power of the principals to shape the entire future course of their Local, and, at the same time place themselves on a basis which will always prove firm and abiding. Defects and abuses will naturally creep into any competitive business, and these might perhaps be, to a certain extent, more successfully opposed and eventually overcome, were the Special, in his selection of an agent, to employ more time in the careful analysis of the situation, and rather than follow blindly in the track worked up and beaten for so long a time by the older company and agent, select some new man, one favorably known in the community, and remain with him for a few days, long enough at least to thoroughly instruct in what is expected of him to perform.

As the competition increases, so also our field enlarges, and there is being constantly added to our lists towns in localities heretofore undeveloped.

"There's as good fish in the sea as ever were caught," and this old adage proves true with us, as we are at times called upon to witness the fact that a newly appointed agent, properly instructed, often makes serious havoc in the premium list of some heretofore invincible old stand-by.

HERE, TOO, ARISES THE QUESTION AS TO WHAT MIGHT BE TERMED "PROPER INSTRUCTION."

Does it not mean something more than the careful posting of the new man as to how to secure the largest amount of business, and as to the proper attention to the minor details connected therewith, required by the company?

We believe it does, and that there are other points, to which, were a Special to devote a limited portion of his time, much would be accomplished towards dispersing many a hard feeling now existing in the public mind towards the practices of our profession.

A fancied wrong is oftener harder to combat and overcome than a real grievance; and what Special is there amongst us that has not been called upon at one time or another to forcibly contradict and afterwards explain, some fancied injury done by his company? How many of our agents throughout the country are conversant with the printed portion of their policies to an extent that would admit of their giving

## PROPER ADVICE OR INSTRUCTION

To the assured in the event of the occurrence of a loss? To partially quote from a portion of the report of this committee of two years ago—"How many times have we been asked by agents, 'Is not the value of property saved at a fire deducted from the face of the policy?'" And again, we often find that some of our oldest agents have advised the assured, in the event of fire, to touch nothing prior to the arrival of the adjuster.

How often we find constructions placed upon the wording of a policy wholly at variance with business principles, and oftentimes with common sense. It is a moment of embarrassment, and should be of mortification, to a Special, when he is confronted with such ideas and remarks as oftentimes emanate from his agents, and moreover, it is too often the case, that, owing to his own dereliction of duty, in failing to properly instruct his agent, he is in consequent thereof obliged to conform in the settlement of a loss, to the ideas as advanced and promulgated by said agent, rather than to

#### THE TRUE INTENT OF THE POLICY,

And the circumstances connected therewith. It is at such a time as this, when the agent having stultified himself in the interest of the assured, placing himself thereby in an embarrassing position, is prone to dictate to the Special or Adjustor in the final settlement of a loss, and to inadvertently involve the company, not only in unnecessary expense, but oftentimes in an exorbitant claim. At these times we are apt to blame the agent, and surely he is to blame, but not to any greater extent than is the Special, for had the latter given the necessary time to a proper instruction of the detail connected with these particular points of the Local's duties, these difficulties might have been avoided, and the company would have saved not only its money but its reputation.

#### A THOROUGH EXPLANATION OF THE DUTIES INCUMBENT UPON HIM AT ALL TIMES,

Is necessary to the full information of the Local, without which, business will invariably be but imperfectly conducted. A careless Special makes a careless Local, and it is only a question of time when a careless Local will bring his company into discredit and bad reputé.

Most naturally, on the occurrence of a fire, the assured first looks to the Local Agent for information and guidance in his action, and if through the incompetency or ignorance of the latter the former errs in his duty under the requirements of the policy, then it is the Local, and through him his principal, that is to blame and should bear the burden.

Another matter to which it might be advisable to give our attention, is the present treatment of deviation complaints when made by agents. We often hear it remarked, in allusion to complaints that have been made, that no notice or action is taken thereon. The agent is merely informed that his complaint is, in some respect, defective, and that it cannot be sustained. Too often, no further explanation is given, and the matter is allowed to drop until, eventually, the agent concludes that it will avail him nothing by reporting further deviations; on the contrary, fears that his business may be seriously impaired should he so continue.

#### OWING TO THE INCOMPLETE INFORMATION OFTENTIMES FURNISHED,

It is almost impossible for action to be taken on very many complaints, yet were the agent to be fully informed as to the requirements of the case, much

more satisfactory results might be attained. In the event of a complaint being upheld, we would suggest that due notice to that effect be given, not only to the complainant, but to all other agents in his immediate locality, believing that by this action each agent would realize the fact that his interests were being protected by his principals, and that it would tend to keep alive the interest in adhering to and maintaining rates, and moreover, would create and continue a greater faith between the agents and the assured.

It might be urged in opposition to this suggestion, that action of this nature would too fully inform each agent as to the transactions of his neighbor. Perhaps it might, in so far as his system of rate-cutting and sharp practice be concerned, but other than in these respects we cannot see that it would work any hardship; on the contrary, it would do much towards promoting the *morale* of the business, and would, we think,

#### MUCH MORE THAN COMPENSATE FOR ANY OUTLAY OF TIME OR MONEY.

These suggestions, with others, seem to be of sufficient moment to call for our attention and sympathetic action, and in connection herewith we desire to suggest a plan that would perhaps tend, partially, if not entirely, to eradicate many of the evil practices prevalent in our business.

Extend to each of our agents throughout the Coast a cordial invitation to meet with us at one of our quarterly meetings, then and there to bring into general notice and argument, any existing points of disagreement or misunderstanding, thereby giving all the opportunity of meeting questions of interest to the profession, and approving or dissolving any of the theories then and there presenting themselves.

Would this not be one step towards bringing about that harmony that must, to insure a successful result, exist between the Local Agent and the company?

With the Local as with the Principal, there are constantly arising new phases in the conduct of his business, and while, as a rule, in the majority of instances, his experience can hardly be of so mature a nature as is that of those who have spent a lifetime in the traces; yet there are many of our customs of to-day in constant practice that have emanated from the brain of

#### SOME THEN COMPARATIVELY NEW AND UNKNOWN AGENT.

Who of you, in the course of your travels, have not had propounded to you by some new appointee, one who heretofore had never interested himself in insurance, questions that had never suggested themselves to your mind, and which were in a general way calculated to puzzle some of our oldest and wisest heads. By the adoption of this suggestion, we feel, therefore, that there would be filled a long felt want in our business in the establishment not only of a stronger and more lasting social basis, but also in the development of many new ideas, and the rooting out of many of the prevailing bad practices. While in the main the average Local gives to insurance but a very small portion of his time, being principally occupied in other pursuits, the business is gradually growing and each year adds to the number

of agents devoting their whole time to the interests of their companies, and it is to this class that we particularly refer, being confident that the measure would be beneficial, in so far as it would serve to bring into more prominence the best interests of our profession.

WE ARE ALL ENGAGED IN ONE COMMON CAUSE,

In one enterprise, and it is not only the action of ourselves, but also that of the Locals that reflects credit or discredit upon the fraternity. Often called upon to settle losses for companies represented by agents other than his own, it is incumbent upon the Adjuster to exercise great tact and delicacy, to the end that he avoid such action in the premises as might prejudice both the Local and the company against him, which danger might in a great measure be avoided were all parties properly conversant with their duties at the time. To the Special, therefore, we would say, in your selection of an agent, search for, and find a man standing well in his own community, one gifted with strong common sense, and at least ordinary tact and ability; give to him the proper careful instruction, as to the principles and practices of the business; get him interested in the work, and keep him so, and you will have an agent, and a business that will reflect credit upon you, and prove

MUCH MORE SATISFACTORY AND REMUNERATIVE

In the end, than if you adopt the other easier, but less advantageous course. Do not subserve your judgment, and the best interests of your company, to an inordinate desire for volume of premium, but strive in all your actions, to do your share towards upholding and maintaining the true dignity and *morale* of the profession. To the Local, we would advise, give your time and energy to the company honoring and trusting you with its agency; keep constantly in mind their best interests, and do not, at any time, allow their fair name to be marred by any indiscretion on your part. Acquaint yourself thoroughly with their business rules and principles, and be so conversant with the primary law and wording of your policy, as to be able at any time, to protect them from any imposition that might be attempted. Inform yourself, through the Special, of the duties incumbent on you at the time of a fire, and when occasion so requires, take prompt and decisive action, and guard well the Company's interests.

Remember that you are at all times, and under all circumstances, the representative of the Company, and do not, in any event, compromise it or yourself by any word or act.

OLIVER H. COLE.

President—gentlemen, what will you do with the Report?

Mr. Dornin—I move it be accepted.

President—If there are no objections, such will be the order. I do not think it will be possible perhaps, at this meeting, to

discuss the papers presented, but I think it would be advisable for the President succeeding me to appoint committees to especially consider the features of the different addresses that are to be made here to-day, and let the reports of these committees follow at a special or at a regular quarterly meeting. I am strongly impressed with this idea, that these reports are of no earthly value to us unless we can sift them, and go through them carefully to see what they contain of value, and spread them out. I think when I retire, I shall make a motion of this kind, that different committees be appointed to discuss these matters at the next meeting. It is now just 12 o'clock, gentlemen. I think it would be desirable to adjourn and re-convene at one or half-past one o'clock; what is your pleasure?

Mr. Carpenter—I move we adjourn to 1.15 p. m.

Mr. Geo. F. Grant—I suggest that one more paper be read, which will not probably take more than half an hour, as when the mail comes in, we will all want to look at our mail before we assemble again. Perhaps we can spare this half hour now rather than on the other end of the meeting.

Mr. Potter—I move to adjourn at half past twelve, to meet at 2 o'clock. Duly seconded and carried.

Mr. Dornin—In connection with the disposition of those papers, which have been read, and are to be read, I would like to suggest, and put it in shape of a motion:

That as these papers will probably be printed and embodied in a published report, that when they are printed, advance sheets be given each member of the Association, and that the President shall call a meeting, stating, that at this meeting, shall be taken up the papers in their order, and at that meeting the topics shall be discussed, rather than referred to committees, as suggested.

Mr. G. F. Grant—I second the motion.

President—Gentlemen, you have heard the motion, that ad-

vance sheets be furnished each member of the Association promptly and at a Special Meeting discussion be had upon them. Carried.

President—We will now hear the report from the Committee on Forms and Policies, Col. C. Mason Kinne, Chairman.

Col. Kinne—Mr. President, I am glad that you made the remarks you did, which have called out the motion from Mr. Dornin, which has been adopted, from the very fact that I have felt that it was not of any use for me to make an extended report on “Forms and Policies,” when I have noticed repeatedly the treatment that former reports on the same subjects have received at the hands of this Association, and I allude to that in a few words in my report, and am glad that you have spoken in the matter, because it bears me out in the position I have taken, and affords a partial excuse for not furnishing you a more complete report than I have to-day.

## REPORT OF COMMITTEE ON FORMS AND POLICIES.

*To the Fire Underwriters' Association of the Pacific:*

GENTLEMEN—Carrying about a well filled knapsack was not considered work enough for me, and therefore your worthy President buckled on other duties in the shape of the Chairmanship of the Committee on Forms and Policies.

This is a kind of *hard tack* that will furnish very dry food, so far as the result of the forming of policies is concerned, and while I know his intentions were good, and therefore have to find him “not guilty,” I couple it with the injunction, not to do so again.

I only desire to say that I believe an honest company will form an honest policy, which, of course, is always the best for everybody.

I believe, too, that there is no one more alive to the needs of proper forms, than the Special and Adjuster, if he is competent to fill so important a position.

### THE CORRECT PHRASEOLOGY OF THE WRITTEN PORTION OF A POLICY

Is important to protect the interests of both the assured and the company, and the adjuster is the first who is called upon to pass on the contract. As Special he is called on to explain the *why* of this or that wording, and the more explicit the contract, without unnecessary verbiage, the easier the equities of the same can be explained.

It is impossible for a single company to work out any necessary reform in the matter. While agitation is the only means of reform, united action is necessary to accomplish a result, and this I am very much afraid we can never get.

The very full and carefully framed reports of previous committees on this same subject, comprising printed conditions such as would meet the later decisions of cranky courts and crankier juries, have been read, listened to, and—filed away. The only good to be had from the report of a committee is to utilize the good there may be in it, by some united action. I believe, however, that if the correct forming of the written portion was more carefully looked into, there could not be so much misunderstanding between the assured and the company.

#### A CONTRACT

Should be worded so as to express exactly what is to be insured, and then let the adjuster first, and the company afterward, stand by the contract. There are too many of what might be called *fraudulent forms*, and an adjustment, be it never so liberal, is not satisfactory to the assured.

If you have an honest loss and an honest claimant, you must pay the loss, and so pay it like a man. Don't cinch your client on technicalities. If a country druggist insures his stock, he desires to have all he sells for profit covered by the policy. To insure "drugs and other *similar* merchandise," will not do. Cigars, stationery, etc., are kept by nearly all country druggists, yet you can hardly call them similar merchandise. "Such other merchandise as is usually kept in a country drug store," would seem to fill the bill for the shrewd claimant, but there

#### A DIFFERENCE OF OPINION

Between the adjuster and himself at once occurs. "Not more hazardous" with the various classes of hazards always printed in the policy, is readily understood, and no mistake need be made.

As to printed conditions, I would suggest that there are three words that ought to be added to them to meet a recent decision, and which has been done by one or two companies who are alive to such necessities. It is in relation to a transfer of property insured, to some other locality, and while it can do no harm, it will put an estoppel on any more tom-fool decisions.

In the phrase, "if any change in title," etc., cause it to read, "if any change in *location, or in title,*" etc.

But enough; I will add what another of the members of your committee has to say, and give you that, and nothing more.

C. MASON KINNE.

#### MR. FLINT'S CONTRIBUTION.

Your Committee on Forms of Policies, (this portion of it), beg to say, that they have nothing to add to what has already been read before this

Association, and know of no decisions of recent date touching the *printed* forms now in use; and the same may be said of the written portions of the policy, with this addition, they are going from bad to worse, as the companies have handed that part of the contract over to the assured or his broker to attend to for them.

Respectfully submitted,

FLINT.

President—Gentlemen, what will you do with the report?

Mr. Hunt—I move it take the usual course.

So ordered.

President—Next in order is the report from the Committee on Losses and Adjustment. Mr. Garniss, of committee, read the report.

### LOSSES AND ADJUSTMENT.

*To the Fire Underwriters' Association of the Pacific:*

GENTLEMEN—In considering the subject of losses under Fire Insurance policies and their subsequent adjustment, your Committee have been fairly at a loss how to concisely and intelligently report upon same without repeating, if not in precise language, at least in thought, much of what has heretofore been so forcibly and logically presented by gentlemen of learning and ability, composing former committees of this Association, so that any effort on the part of this committee might be as “an attempt to paint the lily or perfume the rose.”

The subject, however, is one of increasing interest and vast extent, and must necessarily have been coincident with the inceptive and crude workings of the science of underwriting, as is said to have been first practiced by the ancient Rhodians, about a thousand years before the Christian era, and who, to use the pertinently expressed motto of the N. Y. State Insurance Department, “bore each others’ burdens,” in a mutuality of hazard, on the costly and precious shipments of

#### THEIR WELL LADEN ARGOSIES.

Losses undoubtedly did occur on these ventures, but in what manner apportioned, or adjusted—it at all—is a matter of mere conjecture.

When the renowned Esculapius enunciated the inceptive science of medicine, one of his zealous students inquired of him—what mankind did in suffering and sickness *before* the art and practice of *materia medica* was known—whereupon Esculapius tersely replied, “*they died!*” and so alike, and before the advent of practical underwriting, the losses suffered by mankind, either by shipwreck on sea, or fire on land, for lack of some sustaining indemnity, must have *died also*.

But whether or no, the idea and practice of indemnification by insurance against loss, *did* in fact have its inception before the Christian era, it seems highly probable, that a contract of such easy invention, and of such utility, would almost be a necessity to the existence of an extended commerce, and could *not* have been wholly unknown; and this probability is strengthened by the fact, that in modern times the introduction of

#### INSURANCE WAS ALMOST COEVAL WITH THE REVIVAL OF COMMERCE,

And this, too, in an age when the cloud of ignorance had scarcely begun to be dispelled, and the beams of knowledge and civilization were yet struggling in the mist of a doubtful twilight.

It has been asserted, but based upon no definite data, that the idea and practice of Marine underwriting obtained among the Romans, also at the ancient cities of Tyre, Sidon, Carthage, Corinth, Athens and Alexandria.

But, as a matter of record, however, we *do know* that the *first* allusion to insurance anywhere to be found, was in the written laws of the merchants and masters of "the magnificent City of Wisby," a port on the Baltic, and which, up to the fourteenth century, had attained considerable distinction and prosperity. And from such scintillations of light, and feeble glimmerings from out the shadowy past, we discern the germ, at least, of what subsequently took form as a science, when, in the thirteenth century, certain Italians from Lombardy introduced into England, and to our Anglo-Saxon race,

#### THE PRACTICAL IDEA OF MARINE UNDERWRITING AS A SCIENCE,

And it was not until the year 1696, and about thirty years subsequent to the great fire in the city of London, that *fire insurance*, and as it has been aptly expressed, "the legitimate though tardy offspring of 'marine insurance'—" came slowly and lingeringly into repute, as an efficient co-adjutor of "the property holder, in securing indemnity for loss or damage by the "ravages of fire"—and took form and shape in the organization, at the 'City of London', of the *first* fire insurance company of which we have record, entitled, "The Amicable Contributionship," but which name was subsequently, and in 1698, changed to "The Hand in Hand," and by which title the grim old "Ancient of days" is still known, down to our own day and generation.

It was not until the year 1752, when, at the city of Philadelphia, the *first American* fire insurance company was organized, and named, "The Philadelphia Contributionship for the Insurance of Houses from Loss by Fire," certainly a title long enough to *entitle* it to consideration—and the policies issued by this pioneer company, were quite as peculiar and eccentric as its multiple and inharmonic name. This being

#### THE FIRST FIRE INSURANCE POLICY EVER ISSUED IN AMERICA,

Perhaps it would not be uninteresting to give a concise synopsis of its terms.

1st. The policy was written for the term of *seven* years.

2d. The premium was neither a rate payable annually, nor for the entire term of seven years, but was the deposit of a sum, the use or interest of which, during the term of the policy, belonged to the company.

3d. The risk of *all* fires was assumed, without any exception of public enemies, military or usurped power, rebellion, civil commotion, or riot.

4th. The property insured was protected during the term, against *any number of losses* not total, without reducing the amount insured on the premises, or impairing the deposit. In case of destruction from the first floor upwards, at any time, the Company had an option, to pay the whole insurance, and so end the policy, or to rebuild, the policy continuing in force, and *how often soever*, the destruction by fire, and the rebuilding might take place during the term, the policy *continued in force*, and the deposit unimpaired.

5th. The payment of the deposit, the acceptance of the policy, and the signature of the deed of settlement, made the assured a member of the company, and a party to all the articles of the deed.

6th. The personal liability of the members for losses, beyond their own deposit, was half as much more, in case a single fire, beginning in one house, and damaging one or more houses, should sweep away all the funds of the company.

7th. The concern was managed for the profit and loss of its members, interest being allowed to them on their deposits, in proportion to the whole amount received by the company, and a portion of the losses and expenses charged to them, and the balance settled at the expiration of the policy.

8th. Executors, administrators and assigns were included as members, there being a provision for notice of transfer, and transfer and assignment within a limited time, and the approbation of the directors.

#### THESE QUAIN'T CONDITIONS

Are certainly in marked contrast to our own modern Fire Insurance policy, with its long list of stringent exceptions, the "provided always," the "nevertheless," and the "mutually understood" head line in prominent or italicized type, and which affright the perplexed non-professional with a seemingly perfect maze of inexplicable uncertainties, as he attempts to fathom its latent mysteries; and it would be quite amusing to witness the manipulation of a fire loss under one of these quaint old policies, in the hands of one of our modern astute adjusters, as he persistently wriggles and wrestles with its counter conflicting interests and liabilities, in a triangular duel, as between himself, the company and the assured.

Besides the eccentrically conditioned policy, this pioneer Fire Insurance company had many peculiarities; among others, the setting up of *mile stones* on roads leading into Philadelphia, the result of fines imposed on absentees from company's meetings; but whether this business idiosyncrasy could be construed as placing this primitive institution as the pioneer *mill-ionaire* company, your committee modestly declines to express.

## ANOTHER PECULIARITY

Was the refusal to insure houses with shade trees around them, incited by a loss which was occasioned by a burning shade tree, and the dissatisfaction of the patrons of the company consequent on this refusal, led, in 1784, to the incorporation of the *second* fire insurance company, entitled "The Mutual Assurance Company for the insurance of "houses from loss by fire;" and as the first American company, in imitation of its prototype, the old Hand in Hand company of London, placed its badge of two united hands on the front of its insured risks, expressive of its friendly mutuality, so, as a symbol of the occasion of its origin, this *second* fire insurance company chose the *green tree* as its badge, and thereafter the umbrageous adornment became no longer a thing of reproach.

Commencing with these two incorporated pioneer fire insurance companies in America, there has come down to us the record of hundreds of incorporated insurance companies, some like the old Hartford, starting in 1793, and pursuing

## AN HONORABLE AND UNIMPEDED COURSE OF PROSPERITY,

Claims now its representative among us for competitive business, with its prop of *Flint*, and foundation as enduring as adamant; and later on, and in our own century (1819), the old *Ætna*, also of Hartford, comes down to us with an equally enviable record, represented by no non-*Boardman*, and at present claims the care and protection of a *Pope*, whose immunity from error in this connection might, with equal justice, be as *infallible* as that of the Roman Pontiff himself—and then, as an instance of enormous growth and unprecedented prosperity, the Mutual Life insurance company of New York, with policies written to the extent of \$315,000,000, and assets of \$95,000,000—a Colossus of Rhodes, (if indeed, as heretofore intimated, the Rhodians did first give to the world the inceptive idea of insurance)—the largest incorporated insurance company known, unless it may be equalled (if not excelled), by the *Sun* Fire office of London, the exact financial status of which has ever remained a "widdle which no fellow can find out;" while other companies, starting out with every prospect of success and permanency, have "fallen by the way," weary and overburdened; still,

## THERE ARE ENOUGH LEFT,

In all conscience, and not only in numbers, but in variety; for, besides the inceptive idea of Marine and Fire insurance companies, we are "hedged around" with incorporated companies which indemnify against loss by *death*, *accident*, *dishonesty*, to *live stock*, by *hail*, *burial expenses*, and even *matrimonial outfits*—the latter *two* both decidedly *grave* in character, but to the immediate causers, which the most acceptable "horn of the dilemma," your Committee would leave to the practical experience of this associated membership.

But, keeping even pace with the advancement of these stately fire insurance corporations, we find the classification of hazards becoming one of the chief,

if not *actually the chief* factor, in the underwriter's profession. The status of hazard has met with

#### MARKED AND RADICAL CHANGES

Since the early settlement of our country, and the incorporation of the first fire insurance company at Philadelphia, when the buildings, generally, stood detached, and the unfortunate sufferers by fire were accustomed to look to friends and neighbors, rather than to an insurance company for protection—when appliances for the extinguishment of fire were confined to buckets of water passed by neighborly hands, from private wells to the scene of the fire, only to be subsequently improved and superseded by the rudely constructed and inefficient hand engines *without hose*, until, year by year, the hazards increased, by more compact towns and cities, supplemented by the extra hazard of artificial light—first, from the home made “dip” candle to whale oil—then to lard oil, along with the lucifer match—from that to camphene and burning fluid—afterwards to coal oil—later to coal gas, and last of all (“like Satan”) comes the electric light, and with which the fire underwriters of the world are now

#### WRESTLING, AND REACHING OUT SPASMODICALLY

For some adequate means of protection against an insidious foe, as hidden from view, as sudden in action, and as efficacious in destructiveness, as was the dreaded thunderbolt of old *Jove* himself.

But while these improved artificial lights have been steadily increasing the hazard of fire, they have been supplemented by many hazardous mechanical contrivances, and powerful explosives, so that, in spite of the steadily improved construction of fire proof cities and towns, the acknowledged efficiency of steam fire-engines, manipulated by well organized paid departments, the improved strength of fire hose, and the great abundance and force of water supply, the fires in these latter days seem to be growing more destructive and devastating in character, and entire cities of solid masonry are being swept away like chaff before the wind.

#### IT IS A STATISTICAL FACT,

That, while the total property valuation of the United States is below that of France or Great Britain, the annual accumulation of wealth in this country is greater than that of any other modern nation. In Germany it is \$200,000,000; in Great Britain it is \$325,000,000; in France it is \$375,000,000; but in the United States it reaches the enormous amount of \$825,000,000—that is at the rate of \$2,300,000 *per day*, and its towns and great cities are increasing proportionately. As a proof of which we find that there were erected in 1881, in the cities of New York and Brooklyn, 4,421 buildings, costing approximately \$57,500,000.

Necessarily the business of the companies will keep pace with these newly created risks, and the consequent losses to the Fire Underwriters will grow in volume, year by year, with this almost

#### FABULOUS ANNUAL GROWTH OF WEALTH AND IMPROVEMENTS.

It behooves us, then, to exercise great diligence and circumspection in the selection of risks, and the consequent avoidance of loss; but a fire loss, when made, should receive equally as careful a consideration at the hands of skilled adjusters, as is customary with marine losses, the result being equally important in both cases; and your Committee regret to note the generally loose and unsatisfactory way of adjustment of fire losses on the Pacific Coast, and which, in many instances, have been the occasion of complaint, both from Foreign and Eastern offices, and which unskilled manipulation serve as a premium and incentive to the vicious, not only to originate a fire, but, when accidentally occurring, to fraudulently mistate or over-estimate the loss; and in making this comment and suggestion, your Committee would by no means be understood to recommend a sheer technical resort to a strict construction of the conditions of a policy, unsupported by any adverse collateral circumstance in connection with a loss; such a resort, ordinarily, if persisted in,

#### WOULD END DISASTROUSLY

To any fire insurance company, as was eminently instanced at the city of Boston, many years ago, when the companies then doing business at that point were proverbial for promptly settling their losses and avoiding, if possible, all technicalities, as conditioned by their policies, even when they sometimes felt assured the same were strongly in their favor—all but *one* fire company, known as the Oriental Company, and which started under the most favorable auspices, both as to means and personal influence. This company invariably insisted upon *all* advantages from a technical standpoint. The consequence was, that the company was continually embroiled in lawsuits, and the calendar of the Court of Common Pleas, throughout each term, was burdened with suits brought against it, so that it soon became a daily occurrence for the Clerk of the Court, (who in those days called the calendar), to call out, in solemn and stentorian tones, "John Smith against the Oriental Ins. Co.," or "Thomas Jones & Co. against the Oriental Ins. Co.," so that this company, in *three* years from its inception, was forced into liquidation,

#### A VICTIM TO ITS SELF-CREATED RUIN,

And from which fortuitous result, the moral—"pay promptly and avoid possible technicalities," will be naturally drawn, and your Committee hopes well remembered.

But, without further digression from the main idea under consideration, your Committee would earnestly recommend that more care and attention be bestowed on the *written portion* of policies, for great difficulties are constantly

experienced in ascertaining what vaguely worded policies *actually do insure*, and further, that the adjustment of *all* losses be conducted in a thorough and scientific manner, the subject insured, and upon which claim is made, being reduced to an actual *cash valuation at the date of the fire*, to the end that some satisfactory solution of the mystic problem might be attained, by the construction of some equitable rule, by means of which, an

#### UNDISPUTED APPORTIONMENT OF NON-CONCURRENT POLICIES

Could be made. But, your Committee fear, that such halcyon days of fire underwriting propriety, may never dawn upon us from out the gloom and tangle of the hurry and worry, the jealousies, the bickerings and back-bitings incident to, and that overshadow all underwriting pursuits; but in order to meet the difficulty somewhat, your Committee believe that the settlement of loss under *non-current* policies, could be so localized as to meet the approbation of *all* the fire companies doing business on the Pacific coast, and to such end, beg to respectfully recommend:

That a committee of three, or more, members of this Association, be selected, whose duty it shall be to construct and report back to this Association, *a rule* for the settlement of loss under *non-concurrent* fire policies, and which rule shall be of as equitable a character as practicable, and to meet, as near as may be, the various questions and conflicting rights

#### SO OFTEN UNSUCCESSFULLY WRESTLED WITH.

That upon the adoption by this Association of such a rule, and the assent thereto of all other fire insurance companies, not connected with this Association, *all* fire policies thereafter issued on this coast, have conspicuously printed or stamped thereon, this "*Pacific Rule*" (for such in *character* it should be, as well as in *name*), coupling same with a short agreement, to be signed, *both* by the underwriter and the assured, in words to the following effect:

"In the event of other, and non-concurrent insurance with this policy, the loss as to such non-concurrent insurance shall be apportioned and settled upon the following *rule* of adjustment."

And it is earnestly hoped by your Committee that some early action may be had by this Association, in connection with this all important subject of *non-concurrent* insurance; that harmony and good-will may ever prevail among us, and that *justice* and *equity* and *charity* to *all*, be ever the attendant hand-maidens while in the pursuit of our ancient and honorable calling.

Z. P. CLARK.

JAMES. R. GARNISS.

President—Gentlemen, if there are no objections, the report will take the usual course.

The hour has now arrived when we should adjourn, I will simply say, that I hope the audience will be prompt and the members in their seats promptly at 2 o'clock. If there are no objections the Association will stand adjourned until 2 o'clock this P. M.. Adjourned.

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## AFTERNOON SESSION.

Pursuant to adjournment, the Association was called to order at 2 o'clock P. M. President Bromwell in the Chair.

President—Gentlemen, it is but proper that I should introduce to you, Mr. Will L. Eason, associate editor of the *Coast Review*; Mr. Galen M. Fisher, of the Oakland Home Insurance Co., and Mr. F. A. Sackett, our short-hand reporter.

I call on Mr. A. D. Smith, Chairman of the Committee on "Legislation and Taxation," for his report.

Mr. Smith then read the

## REPORT OF THE COMMITTEE ON LEGISLATION AND TAXATION.

*To the Fire Underwriters' Association of the Pacific:*

GENTLEMEN—With the premise, (in which we have no doubt you will all agree with us,) that, of legislation, as it goes, the less we have of it the better, your committee congratulate you upon the fact that this is an "off" year with our legislature. We have nothing further to fear, as regards changes in our State laws, for another twelve months.

We have a respite from the interested visits of committees from the "third house," who, in their anxiety to advocate measures favorable to our interests, or to defeat those which may be adverse, are willing to give—for a trifling consideration, of course—their valuable time and influence.

We are not, as members of sub-committees, compelled to seize our traveling bags and run for the Sacramento boat, because our colleague at the front telegraphs us that the member from Milpitas is weak and wavering, and needs our peculiar method of manipulation to bolster him up.

## NO MORE MEETINGS.

We are not called upon to attend meetings of the Eastern companies, in the morning, to advise as to the best course to be pursued to nullify the action taken at a convention of the Local and Foreign companies the night before, proposing measures inimical to our interests; nor at meetings, at noon, of the Local companies, to discuss ways and means to meet threatened incursions upon their rights from a combination of the Eastern and Foreign companies; nor at night, to confer with the Foreign companies, and to gird on our armor to meet the attacks of the confederated Local and Eastern companies.

No longer does the lordly President of the Fireman's Fund meet with all these councils and by his beaming countenance and genial ways smooth over many of the conflicting points and pour oil upon the troubled waters.

To-day we do not find that our allies of the morning have entered into a league, offensive and defensive, against us at night. That drove of nightmares, deposit-laws, taxation, valued policy bills, etc., etc., no longer deprive us of "tired nature's sweet restorer," and we lie down to pleasant dreams. The ludicrous but trying situations in this comedy of errors, arising from our supposed diverse interests, no longer amuse or annoy us. We can meet

## THE COLOSSAL CHIEF OF THE "OLD CALIFORNIA,"

With equanimity. No longer are we restrained by that wise, and in this instance, extremely healthy admonition, handed down to us from the past, to "take a fellow of our size," and compelled to repress an earnest inclination to give him a furtive thrust, as our common enemy, the cause of all our troubles, the instigator of all our woes, as the one who started the ball rolling that threatened to crush us all.

No! these wrongs, or fancied wrongs, are now things of the past, and happily we need fear no trouble from that source again. The claws of this California Bear, have been clipped, and he lies down with the Maori from New Zealand and beams upon the American Eagle and the British Lion, in, we trust, everlasting bliss.

And while taking this retrospect, we are reminded of others who have changed their front. The omniscient and omnipresent, ever-working Dornin, and the learned and dignified Haven, have left the ranks of the Locals and gone over to the foreigners. In this transfer the Local interests will find that they have lost, and the Foreign element gained, pillars of strength.

## AND WHO CAN TELL

But that the cool and conciliatory Boardman, who has "sailed the seas over" and "crossed the wide ocean," and "gone abroad, strange countries for to see," may be weaned from the old *Ætna*, and return to us a "blasted Britisher," with hair parted at the meridian, blonde side whiskers, and some of the æsthetic love of the lily and the sun-flower possessed by our royal friend Jones.

But we must not forget, that while the tempest is, for the moment, lulled in our own little tea-pot, there are other tea-pots and other tempests. Already, as we learn from the Eastern Insurance journals, the tocsin of war has sounded, the common enemy has opened its heavy batteries. The New York Legislature is flooded with bills, more or less antagonistic to our general interests. Now, what can we do to prevent this annual or biennial disruption in our ranks; this continuous wrangling among ourselves—this constant irritating condition of dread of attack? Are our several interests so diverse? Are they not identical? Has not

#### A SPIRIT OF SELFISHNESS

Caused us to forget the golden rule, and to seek the advancement of our own personal interests while disregarding those of our neighbors?

In this lack of unity, engendered in selfishness, lies our weakness. Our enemies, knowing this, toss into our ranks the apple of discord, and look smilingly on whilst we tear each other to pieces, and then come in and seize and divide the spoils among themselves. Ought we not, therefore, to lay aside our personal interests and prejudices, and unite firmly to repel the attacks of unfriendly legislators and lobbyists. As in the great struggle for life, some of our number will have to suffer for the general good, and the universal law of the survival of the fittest will be maintained.

While thus having dealt in generalities, your committee have a few practical suggestions to offer. To aid us in laying this spirit of selfishness, we must secure

#### SUCH LEGISLATION AS WILL PLACE US ON A COMMON BASIS.

If the local companies are subjected to taxes that are not imposed upon Eastern or Foreign companies, so modify our laws that the burden may be the same on all.

It has been charged that Foreign companies, doing business in this country, sustaining heavy losses, by reason of some great conflagration, might "fold their tents like the Arabs and steal silently away," leaving the American policy-holders without redress; and our American companies have used this as an argument why the policy of an American company, whose assets are within the reach of our courts, should be preferred over that of a Foreign company. If our home companies possess an advantage over the Foreign companies, in this respect,

#### LET THE LAW EQUALIZE THE MATTER,

By providing that such Foreign company may deposit, in this, or some other State of our Union, for the security of its American policy holders, such sum, proportioned to its liabilities here, as will place it upon an equal footing with our own companies.

We understand that many of the Foreign companies now among us have already made such deposit in this country, and we believe such a provision would meet with disfavor from no one, but would be approved by all.

American companies being taxed upon their assets in the several States to which they belong, it would seem only just that such deposit, as well as other assets in this country of aliens, should be subjected to taxation in the same manner and ratio as the property of citizens. The State or States where such deposits are made would be the principal gainer, but all would derive benefits indirectly.

It also seems but just that each and every company from abroad, whether from other States or from foreign countries, should alike bear the expense of the community government, by taxation proportioned to the business transacted by it in our State.

#### A MODERATE, UNIFORM TAX

Upon the *net* premium receipts would accomplish this, and if every State should enact an income tax, every company would pay its just proportion of the several State government expenses and no more.

Let us have no more "stamp acts," no more "retaliatory" laws; nor, what virtually amounts to the same thing, "reciprocal" laws; but let us, in a spirit of fairness, define our position; demanding only what is just, and what we would expect others to demand from us. The enactment of such laws could be effected, we think, without difficulty, provided we lay aside our personal interests and unitedly petition for the same. No Legislature would dare to refuse its sanction to such measures, conceived, as they would be, in justice, and with that powerful lever—public opinion—which is always founded on right, behind us.

Let us, therefore, use our united influence to secure a correction of the wrongs and abuses to which we have been subjected in the past by the enactment of such laws as have been indicated, and having thus the burden lifted from our own shoulders, still use that united influence to aid others, and

#### SECURE SIMILAR ACTION IN OTHER STATES.

One State, and let it be ours, having taken the lead in this matter, others, by mere force of example, would soon follow. And when all the States have such uniform laws upon their statute books, then the millennium will be at hand, and we can dwell together like brethren in unity.

Respectfully submitted, A. D. SMITH.

The report was ordered to take the usual course.

President—Gentlemen, I have to announce concerning the Committee on Fire Department and Water Supply, that two members have been absent in Oregon, and one of them has been there for the past year; so, with your permission, we will pass that and take up the Committee on Statistics. I will say that Mr. Brown, Chairman of that committee, is very much indis-

posed and confined to his house. By that illness we are doubtless deprived of a very valuable paper. Mr. Brown, I believe, has never heretofore failed in his duty.

I now call upon Mr. Staples for his Library report.

Mr. Staples—Mr. President and gentlemen: I will premise this report by simply stating that the Secretary has had quite a number of duties to perform in his official capacity. The other members of the committee have been able to render no assistance, Mr. Callingham having been absent in Oregon for some time, and Mr. Naunton occupied with the duties incident to a change of agency. The consequence has been that neither of us have been in such a position that we could give the matter the attention we should have done.

## REPORT OF COMMITTEE ON LIBRARY.

*Mr. President and Members of the Fire Underwriters' Association of the Pacific:*

GENTLEMEN—Your Committee have not had many opportunities of meeting for purposes of consultation or work, and yet in the year just past the Library has grown.

There has been added the following works during the year, to-wit: One volume *Woods on Insurance*; one volume *Coast Review*; one volume *Insurance Times*; one volume *Monitor*; one volume *Law Journal*; one volume *Spectator*; besides which we have received several pamphlets.

At the last Annual Meeting the Secretary was directed to purchase a new Library case. This has been done and the fine black walnut case which now contains our collection of insurance works is before you, and will show how well the money has been invested.

### OUR LIBRARY

Now consists of the following works, viz.: Twelve volumes *Coast Review*; two vols. *Codes and Statutes of California* (Theo. H. Hittell), Vol. 1, Constitution, Political and Civil Code, Vol. 2, Civil Procedure, Penal Code and Statutes; one vol. *Commentaries on Agency and Agents* (Wharton); one vol. *Digest of Fire Insurance Decisions* (Littleton & Blatchley, 3d edition, Clement Bates); one vol. *Digest of the Law of Fire Insurance* (Oliver B. Sansom); one vol. *Fires, their Causes, Prevention and Extinction*, combining also a *Guide to Agents* (F. C. Moore); one vol. *Current Forms of Policy* (Beveredge); four vols. *Fire Insurance Cases* (Edmund H. Bennett), from 1729 to 1839, from 1840 to 1848, from 1849 to 1854, from 1855 to 1864; one vol. *Fire Underwriters' Text Book* (J. Griswold); one vol. *Flanders on Fire Insurance*; five vols. *Insurance Times*; ten vols. *Insurance Law Journal*; fifteen vols. *Insurance Monitor*; one vol. *May on Insurance, Fire, Life, Accident, Guarantee*,

&c.; two vols. Municipal Reports, 1874-5, 1875-6; three vols. Proceedings of the Fire Underwriters' Association of the Northwest, 1875-6, 1878-9, 1880; fourteen vols. *Spectator*; seven vols. *U. S. Gazette*; one vol. Waiver and Estoppel (Beveredge); one vol. Woods on Insurance.

In addition to the foregoing we have several valuable pamphlets, and quite a number of copies of the published proceedings of this Association.

We have now on hand two book cases, and would suggest that the old one be sold.

Your Committee has thought best to insure the property of the Association, to the amount of \$300, in the California Insurance Company, and the Secretary now holds the policy. The Committee during the year intended to solicit

#### PERSONAL SUBSCRIPTIONS TO THE "LIBRARY FUND,

And would have done so, but for the series of events which transpired to prevent such course, the death of our late lamented GARFIELD, and the immediate solicitation of funds to aid in the purchase of a monument. This being followed by the Veterans' Home Association appeal. So general were the canvassers, and so thoroughly did they do their work, that we were not willing to risk absolute refusal to *our appeal* had we made one.

We think, however, that the current year bids fair to be a prosperous one, we hope for the insurance companies as well as the world at large, and in that event, it might be well for the new Library Committee to take this matter in hand, and by a systematic and persistent appeal, we think they will be able to raise a *fund* large enough to enable the Committee to purchase such works of standard law as should be upon our shelves, among which are: "The Law of Contracts;" "The Law of Evidence;" "The Law Governing Corporations," and many kindred works.

We also recommend that the Library and case be removed to the office of some member of the Association having a central office and easily accessible, he to be appointed Librarian, his duties to be defined by the Association, and the Library placed under his charge. Such restrictions as to time of keeping books from the Library may be adopted as deemed proper. The present rule is, that no book be removed and kept out to exceed one week.

In connection with the future purchases for our Library, we desire to call attention to the generous offer made by Mr. J. G. Edwards, an honorary member of this Association, at the annual meeting in 1880, that he would purchase at the lowest rate, any books that were wanted by the Association for this Library, and would donate his commissions. We commend this munificent offer to our successors.

Your Committee regret that their time has been so fully occupied that no elaborate report on Library could be made, or suggestions as to particular works which they would recommend for purchase.

With best wishes for the future of the Association, and the Library in particular, we, your Committee, beg to subscribe themselves.

J. W. STAPLES,  
W. J. CALLINGHAM,  
R. H. NAUNTON,  
Committee.

President—If there are no objections, the report of the committee will be accepted and take the usual course.

Before calling for the “Knapsack,” I will say: Upon assuming the presidency of this Association, I caused to be issued an invitation to several gentlemen, not on the regular committees, to address the Association at this meeting. That call has not met with the response I had expected, though I see before me Mr. Carpenter and Mr. Gunnison, and some others, who, I presume, are prepared to give us the benefit of their researches.

I have a letter to read from Mr. Dornin, (reading).

SAN FRANCISCO, Feb. 21, 1882.

*L. L. Bromwell, Esq., President:* DEAR SIR—I crave your indulgence, and that of the Association, because of the non-completion of the paper, “Completion and Validity of the Preliminary Contract,” which you requested me to prepare.

With the best intentions in the world to meet your request, the matter has been crowded aside by the pressure of other and unexpected duties. If you will permit me, I will endeavor to prepare it in season to be embraced in the report of the proceedings—anticipating your reference to the proverb, that a certain place (called Hades, in the new version), is paved all over with good intentions.

Yours, very truly,

GEO. D. DORNIN.

President—I take the liberty now of calling on Mr. Carpenter for a paper on the “Hazard of the Electric Light.”

Mr. Carpenter—Mr. President and gentlemen: When this subject was mentioned about a year ago, I had some hopes of being able to furnish you with something new and interesting, but since that time the subject has been so fully discussed by other associations and by the press, that it is more as a matter of duty, than with any idea of giving you anything interesting, that I present my paper on the “Fire Hazard of the Electric Light.”

Mr. Roe, of the Brush Electric Light Company, was here introduced by the President.

## REPORT OF MR. CARPENTER ON FIRE HAZARD OF THE ELECTRIC LIGHT.

Every new manufacturing process, every new method of heating, every new system of lighting, brings with it its peculiar hazard for the underwriter. To such hazard we should give our early attention, and in proportion as the new idea possesses the elements of popularity and successful adaptation, it should receive a greater share of our careful consideration.

We should accord it this scrutiny, not alone for the purpose of guarding ourselves against its dangers, but to the end, that we may make such practical suggestions as will enable its promoters and users to so modify the construction as to reduce the hazard to the minimum.

The importance of an early consideration of such new ideas becomes the more apparent, when we reflect that it is much easier to direct inventive thought into the proper channel at the outset, than to tear down and re-erect expensive apparatus, which has, in the first instance, been wrongly constructed.

Our underwriters have been none too early in turning their attention to the fire hazard of the electric light. There are already some five hundred of these lights in use on the Pacific coast, one-third of them in this city, and their number will rapidly increase in a community so quick to adopt a novelty, and so ready to utilize a new method of advertising.

We are not to consider the question as to whether the electric light is more safe than gas, coal oil or candles, but we are to seek out its subtle dangers, whether they be great or small, and suggest such practicable modifications as will, at the outset, to the greatest possible extent,

### ELIMINATE THE FIRE HAZARD.

If the only danger of the new illuminant were in the lamp itself, our task would be a simple one, for people are accustomed to guard against the fire hazard at the point where they see the flame. But it is from the insidious character of the danger which permeates every portion of the innocent looking, cord-like conductors, that we have most to fear.

The electric light menaces the underwriter not only as an incendiary, but as a hindrance to the extinguishment of fires.

Considered as a fire kindler, the lamp is, in the case of arc lights, like those now in use in San Francisco, the most obvious source of danger. The carbon candle is coated with a thin film of copper, by means of which the electricity is conducted to the point of the candle, where the light is produced. As the candles wear away, the dropping off of small globules of melted copper, and the throwing off of little particles of burning carbon, present

## A MANIFEST DANGER

That has been practically exemplified in the burning of the Randolph Mill in Philadelphia, where so many lives were lost. The Boston Manufacturers Mutual Insurance Co. report three fires from this cause in mills insured by them, and the Palace of Industry at the Paris Exhibition caught fire three times from such sparks. There is especial danger from this source when there is any imperfection in the carbon or irregularity in the driving of the engine, as the liability to snapping and sparking is then increased. Again, where the carbons are not perfect, there may be hard substances in them which will fall off, and are like hot coals. There is also some danger from ascending sparks.

The lamp presents other hazards not so easily understood. Recently, in Philadelphia, a flame two feet in size, shot from a large glass globe at the corner of Fourth and Chestnut streets. A peculiar flickering had been previously observed, but the cause of the phenomenon has not been stated. At the Lafayette Theatre in Paris, a lamp set fire the surrounding wood work, and it has even been suggested that there was possible danger from the rays of an electric light, if powerfully concentrated upon inflammable material.

Notwithstanding all these dangers in the lamp itself, it would seem as if accident was guarded against in a manner as nearly perfect as possible, by the requirements that glass globes, closed at the bottom, and with spark arresters at the top, should be used. But

## THE INCENDIARY HAZARD OF THE ELECTRIC LIGHTING SYSTEM MOST TO BE FEARED,

Is that subtle element which exhibits none of the ordinary premonitions of fire, but under the most innocent guise, and at the most unexpected moment, secretly performs its work. While persons are generally conversant with the dangers attendant upon the handling of gunpowder and ordinary illuminants, this introduction of a streak of lightning into their houses is new business to them.

Almost any of us would know enough about it, however, to feel that it would be of the highest importance to have the conductor of such a "streak" large enough and well enough insulated to carry its burden off again, and not leave it on the premises. This is just what is required in the electric lighting system.

First, as to conductivity. If the wire is not large enough, it becomes heated sometimes to redness, and will ignite combustible material with which it may come in contact. The insulating material of a main conductor was recently ignited in Philadelphia from this cause, and the Paris Exhibition furnished other examples.

## A WIRE OF A PROPER SIZE

For supplying a circuit of ten lights would not have sufficient conductivity for thirty, and an attempt to use it for such a number would result disastrously. The electric light companies are, however, as much interested as the

underwriters in seeing this point well guarded, inasmuch as a loss of power, damage to their wires and a temporary interruption of the circuit would result from any accident. There is, therefore, no doubt that the suggestion of the underwriters with reference to the weight of the wire will be cheerfully complied with.

Imperfect insulation is destined, no doubt, to be a more prolific and insidious source of electric incendiarism than any other. At least, more accidents have thus far been reported from that cause.

In Philadelphia a telephone switch-board was charred and the wood work of the room put in flames by a flash, as of lightning, from a telephone wire which is supposed to have come in contact with an electric light wire; and similar accidents are reported from Boston and New York, and two or three from Detroit. On another occasion two telephone boxes in Philadelphia were instantaneously burned from a similar cause. The wood work over the entrance to the Germania Theatre in New York, was

#### FIRE BY CONTACT WITH THE WIRE,

Caused by a break in the insulator. In the same city an electric light wire fastened to tin, heated the latter to such a degree that the wood underneath was ignited; and there was a similar occurrence in Cleveland. A damage of some \$300 was recently caused in Chicago by the crossing of a telephone and electric light wire. The flame in the telephone office jumped two feet. Chicago also records a case of broken insulation, which permitted the electricity to surrender to the attraction of a convenient steel nail, and set fire to the building. The power of an uninsulated electric current to create fire was strikingly shown at the Paris Exhibition, where the gold chain of an inquisitive gentleman made a connection with two conducting wires, making his chain red hot, and setting fire to his vest.

Many more instances of accident from imperfect insulation, might be adduced, but the above are sufficient to show the necessity for the very strict regulations provided by the Underwriters with reference to this feature.

#### THERE IS DANGER TO BE FEARED,

Not only from the contact of wires and from the breaking of insulation, but also from the intervening of some imperfectly conducting substance between wires, as, for instance, the ingoing and outcoming wires of the same circuit. It has been asserted that even a film of water, holding mineral matter in solution, would be sufficient to provide the electric current with a "short cut" from wire to wire, and cause ignition of inflammable material. In such a case the current first heats said material, then chars it, finally establishing a series of minute electric sparks and setting it on fire.

Perfect insulation requires that electric light wires should be securely fastened a proper distance apart; otherwise they may come momentarily in contact and then separate, in which case an intensely hot electric arc is established, capable of igniting contiguous material. A regard for proper insula-

tion will not permit the "grounding" of wires, as the danger that the current will, in this manner, be conveyed to neighboring pipes or wires is increased.

As in the matter of conductivity, so in that of insulation, self-interest will insure a considerable degree of care on the part of the electric light companies, although the dangers pertaining to the latter are not as readily detected as in the case of the former. It is probable that we have more reason to fear

#### THE ELECTRIC LIGHT AS AN "OBSTRUCTIONIST"

Than as an incendiary. So long as we had only the main route telegraph wires, we did not feel endangered, but when to these are added the wires of the District telegraph, those of the telephone, and now those of the electric light, the metallic net work, aside from any electrical dangers, presents a serious barrier to the expeditious extinction of fires. This danger would be very materially increased by the general adoption of the electric light, and consequent multiplication of wires, and it is worthy the attention of the Underwriters now, before it is too late.

Not only the bulk of the wires, but the electric currents which they transmit, present obstacles to the proper working of the fire department. The interference of these wires with those of the fire alarm system, may prevent the speedy sending in of an alarm, and entail the loss of those few precious moments at the beginning, which, energetically employed, so often prevent a disastrous conflagration. During the present month,

#### A SLIGHT CONTACT OF AN ELECTRIC LIGHT WIRE WITH A FIRE ALARM WIRE,

Rendered temporarily useless fourteen signal boxes in the heart of New York City. The Fire Commissioners of New York City have taken legal steps to ascertain whether the electric light companies cannot be restrained from running their wires near those of the fire alarm system, and whether they are not liable for any damages. The *Insurance Chronicle*, of New York, is authority for the statement that "induction from the electric light is such at times as to almost cut off police and fire communication by reason of the loud buzzing." Numerous instances have occurred where fire alarm wires have been melted and the boxes destroyed by interference with electric light wires.

But the most serious danger which we have to consider, in this connection, is that which menaces the lives of the firemen. The secret and almost mysterious character of this danger will multiply, many fold, its power as a hindrance to fire extinction. The care which the fireman will take to avoid these wires will, by just so much, impair the effectiveness of his work. There may not be an electric light wire on or in the building at all, but the knowledge that they do exist in the vicinity, and possibly within a foot, will cause the fireman, surrounded, perhaps, by blinding smoke, to be extremely cautious about laying hold of a possible streak of lightning that may

## PRODUCE INSTANT DEATH OR PRECIPITATE HIM FROM A DANGEROUS HEIGHT.

As illustrative of this life hazard, which has so important a bearing on that of fire, we may refer to a few incidents. A serious, if not fatal accident happened to a young man named Chas. Lubbis, at Denver, lately. He was fixing the wires, when he was precipitated a distance of twelve feet to the ground. The *London Times* of Dec. 15th refers to the fact that a man at Hatfield House was instantly killed by coming in contact with the wires. Mr. Brush himself, the inventor of the system in use here, has been seriously wounded, and Mr. Wm. J. Denver, of Springfield, Mass., was knocked down by a shock received from an electric light wire, through a fire alarm wire, the latter being reduced to molten iron in his hand in the fractional part of a second.

Suppose a fireman, during one of our rainy winter nights, stands upon a tin roof and cuts an electric light wire. At the instant the wire is cut, and during the infinitely small period that one of the wires remains in contact with the axe, the electric current, in search of the shortest route to the ground, may pass from the axe to, and through the man, producing instant death. These considerations show the necessity for

## THE "CUT OFF,"

Which must be provided as near as possible to the entrance of any building using the electric light. These "cut offs" should be as easy of identification as the gas meters are now, and, in case of fire, one of the first duties of the firemen would be, by their use, to deprive the building of its electric currents. An arrangement in the nature of a switch, whereby the ingoing and outcoming wires could be connected at will outside the building, would accomplish the desired result without interfering with the action of other lamps on the same circuit. The original rules of the New York Board of Underwriters required the supply of electricity to be stopped, by means of this "cut off" *when not in use*, but the more recent rules do not have this proviso.

As the placing of these "cut offs" will entail additional expense upon the electric light companies, and as the latter look upon them rather as a nuisance than a benefit, the underwriters will meet with more opposition to their demands on this point than any other. It is fair to say, however, so far as San Francisco is concerned, that the manager of the Brush Electric Light agrees to be governed by the New York rule in this respect.

It is reasonable to suppose that all the dangers thus far referred to, will increase with the age and multiplicity of the wires, and with that familiarity which breeds contempt and carelessness. The

## INSULATING MATERIAL WILL WEAR OFF,

Especially where subject to abrasion, and the sagging of wires will bring them in contact.

There is no doubt, therefore, that so far as the underwriters are concerned,

pipe lines should be given a very decided preference. The Edison Electric Light Co. is introducing such lines in New York, the wires (which in the case of the street "mains" might more properly be called rods) being insulated, inside of pipes, and introduced into buildings very much as gas pipes are now. To guard against accidents from an electric current, in excess of a wire's conductivity, this company has also introduced an automatic "cut off," consisting of a short piece of easily fusible lead wire, placed at suitable points, and which melts when the current becomes too great for the wire beyond, thus cutting off the flow.

#### THE EDISON LIGHT COMPANY

Have favored me with a very explicit description of their system, in its bearings upon the fire hazard, which I shall be pleased to have examined by any parties interested.

They thus summarize the advantages claimed by them:

1st. Outdoor system exclusively encased in iron armor.

2d. The house system encased in non-inflammable insulation and further protected by coverings of a substantial and durable character.

3d. An absolute safety valve, actuated by an immutable law and operating to instantly withdraw the electrical energy from the point of accident.

4th. The concentration in one protectible building of all the, at present, existing sources of accidental fires, explosions, etc., etc., now scattered over each mile square of a city's area.

This last feature is not exclusive with the Edison Company, and must be recognized as a strong point in favor of the electric light.

The Boston Common Council has authorized pipe lines, and a company here has been granted a franchise.

The Mayors of several cities have declined to permit the use of aerial electric light wires; notably, Mayor Thompson, of Detroit, who vetoed an ordinance authorizing such a system, and adduced many strong points in support of his opposition. The Mayor of Pittsburgh also vetoed a similar ordinance.

#### THE ACTIONS OF THE UNDERWRITERS

With reference to the hazard under consideration are very generally known to you. The rules of the New York Board have been accepted in many, if not all, instances, as the standard, this being the case in Chicago, Philadelphia, Detroit and San Francisco. These rules have been very materially amplified and made more explicit and simple since their first promulgation last year, and our San Francisco standard should be so changed so as to agree with the amended form. The new rules designate the weight of conducting wire for arc lights; require an automatic cut-off at the junction of wires of different sizes in the case of incandescent lights; prohibit ground circuits, and designate the character of insulation. They further provide that wires passing through walls, floors or partitions shall be encased in

substantial insulating tubes, so placed, in the case of exterior walls, as to prevent rain water from entering the building along the wire. It is also required, where inflammable material is exposed, that a wire netting shall be placed below an arc-light globe to keep the pieces of the latter in place in case of breakage.

#### AN ENTIRELY NEW REQUIREMENT

Is that of the "automatic shunt," to be attached to the lamps themselves, whereby a "short cut" for the electric current is provided, when it becomes too powerful for the capacity of the lamp. It is also stipulated that companies whose lights are permitted to be used by the underwriters, shall test their lines for ground connections at least once every day, and make a weekly report of the results of such tests.

Upon whom shall the duty of seeing these requirements fulfilled devolve? Manifestly, not upon the inexperienced policy-holder, for he would much rather do without the electric light altogether, than to stake the validity of his entire insurance upon his skill as an electrician. On the other hand, the illuminating companies seem to be hardly the proper parties to pass upon the character of their own work. They would, no doubt, act conscientiously at the outset, and their certification that certain work had been performed, in accordance with the regulations, could be relied upon; but as time wore on, these certificates might degenerate into a matter of form, workmen might, without the knowledge of their employers, have recourse to the easiest way of doing things, and the assured themselves might "wink at" imperfection of construction, to them apparently immaterial, for

#### THE PURPOSE OF SAVING EXPENSE, OR A DISFIGURATION OF THEIR PREMISES.

It is evident, therefore, that this certificate of proper construction should be either issued by, or receive its final endorsement from, a representative of the underwriters. In San Francisco this representative might be the surveyor of the Board, but as all companies are not members of the Board, it is possible that the fire marshal, or an officer of the fire patrol would be better. One or two days careful study and investigation would provide him with sufficient technical knowledge. On completion of its work, the light company might furnish certificates, of an approved form, to the assured, the latter to present the same to the representative of the underwriters for his endorsement. The insurance companies could then be notified, by means of the fire marshal's reports, for instance, that a certain arrangement for lighting had been examined and approved. The permit for electric lighting to be attached to the policy need then contain only one condition, viz: that no change in the arrangement should be made without the consent of the underwriter's representative, and the approval of a new certificate by him.

It is proper, in this connection, to mention what has no doubt occurred to all of you, the fact that under the form of policy now generally in use,

## NO PERMIT FOR ELECTRIC LIGHTING IS REQUIRED,

None of the printed conditions being susceptible of such construction as would prohibit it. In ordering new editions of policy blanks this point should not be overlooked.

It is evident that there are many features of importance that have not even been touched upon in what has been said. This is not the result of oversight, but is chargeable to the physical impossibility of condensing any considerable portion of the facts and thoughts suggested by the subject into a becoming space.

That the future of the electric light is to be a grand one none can doubt, and that it will lead up to other inventions is already being evidenced. The electric light wires at St. Petersburg have been recently used for the working of fire pumps, and similar wires are providing facilities for manufacturing and transportation. Hence, the necessity for carefully watching the hazard, to the end that, when eventually, as in Aladdin's day, space is annihilated, palaces built, and all seeming impossibilities accomplished by the genie of the light, we, as underwriters, need have no reason to question the beneficently inspired character of the prophetic Arabian Nights, or the modern advent of the "Wonderful Lamp."

President—Gentlemen: That is an unusually interesting and a very valuable paper. Personally I am under great obligations to Mr. Carpenter for his able treatment of the subject. I think it would be perfectly in order for this Association to put themselves on record, by voting Mr. Carpenter a vote of thanks for the very able manner in which he has sifted the subject. I confess, myself, that while the subject has interested me very much, I have not had the time to look into it as thoroughly as Mr. Carpenter has. I hope the Association will recognize Mr. Carpenter's work.

Mr. Gunnison—I think I am as much interested in this subject as any one is. To tell the truth, our President here, honored me with the appointment on that subject of the Electric Light. I did not feel myself capable of giving you an interesting paper on that subject, and I fortunately succeeded in getting Mr. Carpenter to take the subject off my hands; and I think, as well as others of the Association, that we owe him a vote of thanks. I would, therefore, move a vote of thanks be given to Mr. Carpenter for his able and instructive paper on the Electric Light.

Seconded by Mr. Cole.

President—Gentlemen, you have heard the motion, that a vote of thanks be given to Mr. Carpenter for his able and instructive paper on the Electric Light.

Carried.

Mr. Carpenter—Mr. President, I am glad that I have been able to entertain the Association with such a dry subject, and I am glad that they also voted their thanks before they heard from Mr. Roe. If in order, Mr. President, I move that Mr. Roe be invited to say something on the subject, and, after he does so, it may be possible that they will not think so much of what I have said.

President—Mr. Roe, have you anything to say?

Mr. Roe—Nothing; simply to call attention to the difference in the requirements of this Board and those in New York. I have thought, in the absence of your appointing any committee of gentlemen who are electricians, as they have in New York, if you have confidence in their regulations, you could adopt them just as they are. It has been done in other cities, and we are ready and glad to comply with them. There is a little difference between them and your regulations. Mr. Carpenter read something in regard to the automatic shunt and cut-off, in which you differ some little in your regulations from those in New York. I came here to answer questions on this subject, that is all.

President—I would like to ask you to account, if you can, for this sheet of flame referred to in the paper by Mr. Carpenter.

Mr. Roe—It is very hard to account for that. You see a lot of things in the newspapers regarding the risk of the electric light, put in there from gas interests, and so forth. I do not believe all I see about it. A flame two or three feet long is a pretty big story.

President—It seems to be common. Mr. Carpenter speaks of several cases.

Mr. Roe—I do not think so.

President—Gentlemen, have you any queries to put to Mr. Roe?

Mr. Dornin—Mr. President, it was not my fortune to hear all the paper read by Mr. Carpenter, but from what I did hear of it, I am satisfied that there are matters in it of great and immediate value, and, without reflecting upon the other papers that have been read here to-day, I hope the President will call the members together for the purpose of taking up Mr. Carpenter's paper, and that it may result in the issuance of a large edition, in order that companies may place copies of it in the hands of their agents in places where the electric light is being introduced. We shall be obliged to meet this question. A certain indorsement must be made, and it will have a greater weight if we have a document behind it as to the influence in the community.

President—Any further remarks on the paper? If not, Mr. Gunnison, are you ready with your paper?

Mr. Gunnison—Mr. President, we want to hear "The Knapsack" this afternoon. If the Association would like to listen to a little nonsense from me for fifteen or twenty minutes, all right; but we have got to have that "Knapsack" this afternoon.

President—I think, Mr. Gunnison, we will call upon you for your paper, and after that we will devote the balance of the afternoon to "The Knapsack."

Mr. Carpenter—I will state, Mr. President, that I will leave my paper with the Secretary.

President—Yes; very well.

## MR. GUNNISON'S PAPER ON USAGES OF UNDER- WRITING.

*Mr. President:* By a swap with Mr. Carpenter, to whom you assigned the duty of addressing you under this head, I find myself called upon to answer the call, and make an excuse for not addressing the Association on the plea of unavoidable absence from town; while, from the able pen of Mr. C., you get an excellent address upon the hazard of the electric light, a new and interesting subject, and a dangerous factor in the field of insurance. By this trade the members of the Association, and all insurance men as well, get something worthy their attention on electric light hazards, while I admit that

they lose an equally meritorious article from the same on the old and threadbare subject of usage in underwriting. I know that in neither case have I the ability to give you even a readable paper, and I believe that I have done you and the Association an actual kindness in securing Mr. C.'s services on the one, and neglecting to address you myself on the other.

I admit, Mr. President, that I did make a desperate effort to the end of writing something, but not fully understanding the aim and scope of the subject, I had recourse to Webster's Unabridged, and found that "usage" means custom, habit, etc. That custom, long continued, makes law, and thereupon I concluded that you might have expected a dissertation upon

#### THE LAW OF INSURANCE.

Now, Mr. President—and I say it with the highest respect, both for the office and the man—I was prepared to give you credit for a large amount of originality, in your jokes, but I never considered you capable of so stupendous a "whopper" as that! Does any one among us believe that there is any such a thing as law, as applied to insurance? Why, sir, insurance is a necessity, and "necessity knows no law!" Have not the brightest minds of the profession written enough manuscript over, to cover the walls of the new City Hall, with all its spurs, dips and angles, about the laws of insurance; and can we not turn to their pages in every insurance work in Christendom? And yet, do not we poor abused adjusters, when threatened with the law, have to trust to our own overwhelming good judgment and hard cheek to carry us through? And do we not just get right down and crawl out of the smallest possible little knot-hole of a compromise so quickly as to make the inexperienced head of a new beginner swim with wonderment and astonishment? Yea, verily!

But, while you may, from your exalted position of President, have been so unwise as to expect that I, as swapee of Mr. Carpenter, would get my work in on the old and beaten track laid out by wiser and steadier heads than mine, along

#### THE GIDDY AND POETICAL HEIGHTS

Of usage in underwriting, I shall, nevertheless, take the liberty to consider the word to mean habit, and flounder around in altogether new paths, and leave the searcher after knowledge, on the main subject, to pore over musty volumes and delve in the mines of wealth to be found in the wisdom-teaching ideas of abler authors.

Let me, then, take as my theme, the "Habits of Insurance Companies and Insurance Men," and try to look at the matter through the eyes of the great, unwashed crowd (who are as much interested in the subject as we), who are known to us as the assured. The men who insure are the bone and sinew of the business! Without them, where, oh where, would the noble adjuster be? Echo answers, where! The insured is the meat and drink of the adjuster—especially after he has hatched into a claimant for loss after a

fire. To gobble up such an one, the festive adjuster sits down to his work with as much gusto as he does to our famous annual dinners of the Underwriters. And why should we not listen to the insured? especially, as in ninety-nine cases in a hundred, they know more about the business than we do; that is if they never have had a loss. If they do have a loss, their wisdom teeth get knocked back into their jaws so far that they never venture an opinion on insurance again—in the presence of an adjuster. Having chosen

WENT SO MUCH AT VARIANCE WITH WHAT MIGHT AND DOUBTLESS WAS  
EXPECTED,

I will persist in my eccentricity and begin at the tail end of the subject, and, if time and patience fail, and I never reach the head, please remember there is a head somewhere; for is it not written: "Where there is a tail there you will find a head also?" All the oldest adjusters here present have listened, many and many a time, to wise interpretations of insurance men's habits from the perfumed lips of the dear people; from the bombastic country Justice of the Peace down to Mrs. Bridget O'Flaherty of Tar Flat; and it may be that the newly-fledged "cincher" would like to get an inkling of what he has yet got to hear a thousand times, if some irate loss-grabber doesn't shut off his wind before he gets initiated into the mysteries of how to "cinch" gracefully and politely.

Having made up my mind to take up this branch of the science of insurance just because I was painfully aware that I did not possess sufficient ability or other necessary accomplishments to fulfill your expectations, I suddenly came to the conclusion not to write anything at all, and, Mr. President, that is the only resolution made about January 1, 1882, that I have been able to religiously keep."

Previous to that, however, I had written to my old friend Sam. Clemens, known to a select few as "Mark Twain," who lives at the fountain's head of American underwriting, and asked him to favor me, on the score of old friendship, with his ideas of the habits of insurance men, etc. I did not offer him money as a fee, because I knew too well that he would have accepted it! I told him I wished to read it before the Underwriters' Association of the Pacific, which association was composed of all the insurance talent on this coast—in fact, had nothing but talent in it—as soon as I had handed in my resignation, which I intended to do the moment I had finished reading his essay, in order to protect myself from a "mob. "Mark" tumbled to the idea, and shortly thereafter I received the following letter enclosing a manuscript that I had to copy before I could read it:

"HARTFORD, CT., Jan. 31st, 1882.

MY OLD PLAYMATE—Your sweet-scented note, asking a favor of me in your dire necessity, came to hand more promptly, I imagine, than it would have done if it had contained a \$500 greenback as a fee. The fact that this neck of the woods is the great center of insurance companies of America, makes it quite

natural and proper that I should get inspired upon the subject of insurance companies and their habits, and hence the enclosed—while the consideration of old friendship and companionship would never have induced me to take this trouble to oblige you or any other man. I have never forgiven you for your wicked and diabolical attempt to imitate my sweet and silver tones in the window scene, and ask as an infliction upon your fellow scamps of the Fire Underwriters' Association of the Pacific, that read the enclosed essay to them in the same tones, taking your key from the same scene, as a poor singer gets his key by repeating the do, ra, mi of the singing book! It is a wretched imitation of myself, and I offer it as a punishment of the insurance men's sins! Under no consideration are you to allow this to go to press, as I reserve the right to copy right all my writings. My personal recollection of some of the old underwriters of the Pacific, enables me to speak truthfully of them, and I only regret that I cannot immortalize some of the more recent lights in the business! Take the little scribble in welcome! Sail in, and God bless you!

Yours, as ever,

MARK TWAIN."

The window scene, to which he refers, is the one where "Mark", when a boy, had run away from home, and not getting back till after dark, and fearing a whipping, crept into his father's office to sleep on the sofa. His father was a Justice of the Peace and acting Coroner. During the afternoon a man had been killed, on the street, and the body brought in and laid upon the office floor, to await inquest in the morning. "Mark" thought he discerned the faint outlines of a man's body, by the dim starlight through the window, but concluded it was a delusion. As the moon arose, and slowly advanced along the top of the window, he became aware that it was a reality! And now, if you will allow me, I will repeat what happened, in order to get the "key," which simply means a poor imitation of "Mark Twain's" peculiar tone, and long, slow, drawling manner of speaking:

"I turned my face to the wall and counted one hundred! And still I could not sleep! I sat up again, and there, upon the floor, I could see the whole of a man's white face and bare bosom! And the moonlight crept down and down over the chest, and below the nipple, and there was a ghastly wound upon the chest! And there was blood upon that wound!—I went out through the window! I took the sash along with me! I didn't need the sash, but it was handier to take it than to leave it! So I took it! I went home, and they whipped me! I enjoyed that whipping!!

#### HABITS OF INSURANCE COMPANIES AND INSURANCE MEN!

An insurance company is usually started by a set of men who are looking around for some way of euchreing a living out of their fellowmen without giving anything in return. These men seldom have any capital, of their own, or if they have they take the precaution of making it over to their wives and sweethearts, or bury it, so as to prevent the poor dupe of an insurer getting hold of anything when he has a loss. They put up a show of capital,

sufficient to deceive the authorities, until they get their charter—which means until they get a legal right to swindle the community—and then go right off and invest it where no one can get hold of it through the law. Having done this they get up a policy blank so full of conditions and things that the most highly accomplished and trained Jew in the land can't get a cent of indemnity when a fire catches him—perfectly unawares—"S' help me, Moses!" The poor and innocent insurer, having paid in his premium, believing everybody as dishonest as himself, and having insured his dwelling house for twice its value—by fooling the agent—and having a terribly unfortunate calamity happen to said dwelling, suddenly finds himself kicking around in a labyrinth of conditions, in the insurance policy, driving him almost to desperation and making him happy at last—if he escapes the State's prison!

The insurance man is the hardest hearted man in the world! Having gotten your money he cares nothing for your afflictions! He is a tyrant by nature and robber by habit, and delights in the troubles and trials of his fellowmen! His whole study is how he can prevent you getting paid for destroying your property by fire! He cares nothing for the sufferings of others, but when he finds you trying to get back your money, that you have been entrusting him with for years, receiving, in return, nothing but worthless paper, called a policy of insurance—he swoops down upon you with his conditions, and makes you feel, at most, as if you were the dastardly thief and fraud that he is himself. Such are the habits of insurance companies, that they will send their soulless adjusters, even into the southernmost end of Utah Territory, to bulldoze, browbeat and frighten their poor dupes into accepting not more than fifty per cent. more than their actual loss, when the poor fellows intended and expected to get at least double the value their property which they had risked their personal liberty to burn—like brave little men!

And who do these grasping monopolies employ to do this dirty work? None but the most debased, the sharpest, trickiest, sleekest, coldest and slimiest men that the country affords! These adjusters proceed at once to adjust you out of house and home. These unconcionable scamps point triumphantly to the conditions. You find yourself over-insured, you are on leased ground, your chimney did not come to the ground—till the fire brought it down—your goods were stolen, not burned, and your precious stones were not covered because not specially mentioned; in fact, you are soon glad to compromise the loss by getting permission to replace your property with your own money, and pay the fees and expenses of one adjuster to and from, especially from.

The insurance men are all rascals. We all know that. No capitalist takes the stock of an insurance company unless he be a natural born, bloated bondholder. If he isn't, he naturally gravitates that way! Look at President Hipcorns of the "Localest of all the Old Ones!" No one can look at him without seeing, in that narrow, contracted, pinched-up visage and little diminutive form, the *desire* pictured all over his physique to swindle some poor devil of an insurer out of the proceeds of his industry and his patient ingenuity in burning! Doubtless, it is an almost irresistible impulse on the

part of Mr. H. to set fire to some man's property, just to see his Vice-President go in and cinch the insured! And look at the latter—said V.-P.—who, with massive frame and sledge-hammer fists, walks into the poor claimant, picks him up, turns him inside out, frightens his wits out of him, and then blandly pays him *total loss* in order to show the unbounded liberality and save the reputation of the aforesaid “Localest of all the Old Ones!”

Then, again, the Havenly manager of the L. & L. & G., which means, when interpreted by a New York advertising agent, the Liverpad, Laid-on Good Insurance Company!—Lively & Lengthy & Graceful—Lord Love the Good! Who would think of taking to him as a Haven of safety from the storms of fire or sea? Look at his broadshouldered massive form and ferocious manner! What chance would a dead darky stand of saving the coppers on his eyes, even if said darky had lost his life in an heroic effort to burn his unsalable house on which he had paid premium at least twice its value? And his well-known adjuster, *Kinne* to him in all respects, known as the Colonel, with bold, hard features, dark and lowering brows—how he delights in deeds of robbery and daring scenes of blood and thunder! Does he not believe that to insure in the Liverpad, etc., is sufficient honor to satisfy the ambition of a Tom Grant or an Aaron A. Sargent?

Sometimes a long experience transforms the smooth, delicate pale-faced mother's darling into a full-grown insurance fiend, and beneath the mild and pleasant, gentle seeming, you find the insurance man incarnate! Look at the slight and effeminate Joe, of Balker, Fell & Co., and also the sweet-tempered Garnishment of the Transi-Transitory Insurance Company!—and weep for your countrymen and your cousins across the water! There is Dormant, who keeps a rampant lion pictured on his signs and all over his papers, to frighten unwary loss-seekers out of their wits! How he ever expects to get customers to go into his office, between those savage-looking beasts, is more than I know! He is said to keep a Sexton who has a private burying-ground to inter the Lion's dead. What a grim old graveyard visage is his, to be sure! A glance at his terrible, cold-hearted eye would make an honest Jew, who had watered his stock with a watering-pot to increase the damage after the fire and keep the dust out of the eyes of the appraisers, just wilt in his boots and swear that the firemen did it all, “from my honor as a Jew!”

We might continue the list indefinitely, and show conclusively that all these hard-hearted insurance companies and their conscienceless employees, have the unfortunate habit of trying to keep the insurers from realizing a profit on their investments! I know a case of the most heartless swindling on record. A high-toned Israelitish merchant, at one time a leading one on Sacramento street, had an insurance on his furniture and wearing apparel on Harrison street, San Francisco. A fire one day damaged some clothing in a clothespress, and the everlasting adjuster was sent around to swindle the insured out of his money! In the course of the adjustment the following conversation occurred:

“What else did you have in that closet?”

“I hed von drunk.”

"One trunk—where is it?"

"Oh, it ish all purned oop!"

"Burned up! Why the paper on the wall is not burned!"

"Vell, I can't help dat! It ish all gone, so help me!"

"But where are the iron bands, nails, hinges, etc.?"

(Answer by one of the ladies of the family)—"Dey ish down the vater glosset!"

"Well, what was in that trunk, Mr. B.?"

"Oh, mine Gott! (rubbing his eyes and crying) Dot drunk it had all the clotes of mine poor det mother! She died six weeks ago last Jewsdag! She was verry rich, vonce! She live in Paris, and she live in New York, and she had velvets, und satins, und silks, und laces dot were worth \$50 a yard! And I shust put all her clotes in dot drunk to remember her by! Oh, tear! Und dey vas all purned oop, so help me, Gott!"

And all the ladies added their pearly tears in chorus and in sympathy for the poor man and in memory of the virtues of the poor, dead mother. But did that hard-hearted adjuster shed any tears? Not a whimper! He just asked for further time, went straight to the Fire Patrol Captain and asked about that trunk. And that unfeeling hireling of the bloated underwriters told the adjuster "that trunk was not burned," that it belonged to the servant girl, who claimed it, and that it hadn't \$5 worth of clothes in it! Did this cruel adjuster pay this poor afflicted man the \$1,500 that he claimed for the contents of that trunk? No, indeed! But he went into the big store of the insured and insulted the dear, innocent man by calling him a liar and making him give up his policy!

Let us take another case. Mrs. Catherine O'Minnerty of the suburbs had a fire one night in her palatial residence—with a one-horse stable underneath and a chicken ranch in the parlor! But little damage was done to the building, while the furniture was a complete loss, so she said. They saw the ferocious adjuster coming down the street "wid blud in his eye," as Mr. O'Rooney expressed it. They were prepared for him, and they knew him by the big roll of papers, and the half dozen old furniture dealers behind him, waiting for a job to appraise damages! Mrs. McFlanagan, Mrs. O'Finnerty, Mrs. O'Toole and Bridget O'Grady all began to cry at the sight of him, for they knew that Mrs. O'Minnerty would be abused by this dirty spalpeen of an adjuster, and, as soon as he got within hearing, Mrs. O'Toole began to cry as if her dear heart would break, and she said, said she, "Oh, dear! and Mrs. O'Minnerty has lost every stick of her furniture, and she has nothing to slape on this blissid night to be sure!" And then Mrs. O'Finnerty, she cried so piteously, and she said, "The dear childer haven't a rag to their backs, and the poor dears are all naked and stharving for want of shoes to their fut!" And Mrs. McFlanagan, she said, "The furniture is all burned to ashes!" And Miss O'Grady, she said, "The good Lord would bless the man that was good to the widder and the orphanless!" And Mrs. O'Minnerty herself was too overcome to spake a word!

And do you suppose that this wicked and soulless adjuster drew a check for total loss for this poor, starving, homeless widow? Not a check! He just went and got an officer, and he went into Mrs. O'Toole's back bedroom and found the parlor furniture, consisting mostly of chicken coops, that had been carried out of Mrs. O'Minnerty's house; and he went into the cellar under the house of Mrs. McFlanagan, and found all of Mrs. O'Minnerty's bedroom sets; and in Miss O'Grady's barn were all of the carpets stowed away—to keep them from the dust; and in Mrs. O'Finnerty's stable were found all the children hidden under Mrs. O'Minnerty's wearing apparel, to keep them from being eaten by the beastly adjuster! And did he pay her all her loss? Not a loss! But the wicked wretch threatened to have the whole lot arrested for trying to obtain money under false pretences—and walked off!

“And when we call for justice he answered with the cash.”

Another habit of the insurance men is to go to Sacramento every session of the legislature and prevent wholesome legislation for the relief and protection of us poor devils who, having no further use for our property—and finding we have got twice as much insurance as it would sell for—magnanimously conclude to turn over the ashes to the insurance companies! If it had not been for these insurance fiends we could have turned over ere this, all the old and worthless buildings in the State—and realized a mint of money! But, as soon as we get a bill before the legislature legalizing the sale, up comes a delegation of insurance sharps, headed by the stalwart V. P. of the Localest, and buys the whole legislature up with a drink of whisky here and a \$20 piece there—and thus is the true ends of justice clipped! We believe that a law, ought to be passed, giving the right to insure for double the value and, in case of loss, making the underwriters pay the whole face of the policy—even if the assured had no title, or in a moment of irresistible impulse, by command of the Deity, had set it on fire—for the good of the Democratic party! And in case the fire should not come for the space of five years, and the insured concludes to quit insuring, the underwriter should be made to refund all the back premiums they have so fraudulently collected, with interest—or be forever debarred from doing business in New Zealand! Why, we would exclaim, ought underwriters to keep our premiums, when no fire occurs? Is it not taking money under false pretences? Such habits are scandalous! But such is the condition of their conditions that our condition is hopeless!

I am a householder and I own the furniture. I am insured! If ever my house burns, my appreciation and esteem for the abilities of adjusters of the Pacific Coast is such, that, if the underwriters send one of those to adjust me, I shall immediately declare I am not insured, that I did not own the property, that I never saw the inside of an insurance office, and, if they will forbear to adjust me, I never will enter one and will pay the fare and per diem of the festive adjuster back to his far western home, and throw in a chromo for his wife!

One peculiar habit of insurance men is the wonderful facility and ease with which they can, seemingly, change their nationality! A full-blooded Yankee can turn into a bloody Britisher in the twinkling of an eye! Take the former and appoint him to the agency of an English company and he immediately turns into a stylish English nabob—switch-cane and all! For instance, Sir William, of the Gardeen! How quickly sprouted the mutton-chop whiskers—in imagination!—and the nobby little hat, the Spencer or bobtailed jacket—and how tightly the thighs and calves filled out the London style! (Query—Were the thighs stuffed out or the pants cut in?) And so we have the stylish Londoner—even to the slippers and cloth gaiter-tops and all—adorning, in several cases, the plebeian legs of the much-despised Yankee. The representatives of the King of Beasts will ere long be *dorning* a new suit, in which their mothers would not know them. It is said the manager of the Liverpad, etc., would, long ago, have come out in a full suit, but for the fact that he could not find an imported pair of pants long enough one way and short enough the other!

The cheek of an insurance man is harder than "Pharaoh's heart." When a Hartford man slips on an orange-peel or pork-rind, placed innocently on the sidewalk for a purpose, he never tries to save himself by throwing out his hands, like other men, but allows himself to fall flatly upon the walk—like a piece of putty! The reason is that all Hartford men are insurance sharps, and if they fall on their cheeks no harm is done! They never insure in their own accidental insurance companies, for the same reason! It is said that they carry out the scriptural injunction and always turn the other when you smite them on one cheek; it is such a pleasure to them to see you smash up your knuckles and dislocate your shoulder with the shock!

In behalf of the poor insurance-ridden people of the Pacific Coast.

THE HEAD.

President—We will now call for "The Knapsack."

Col. Kinne—Mr. President and gentlemen, I can only say that a portion of "The Knapsack" has been so ably read by my friend Gunnison, and as it is getting late and we want to proceed right to business, I will not make any comments, but pitch right in. In accordance with a notice filed among the archives of this Association, I have to read many articles—some shorter, some longer, some sweet and some sour—and there have been a number left out. The leader or editorial to this paper reads thusly:

## THE CALIFORNIA KNAPSACK.

VOL. 3.

No. 1.

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*Published by the Fire Underwriters' Association of the Pacific.*

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C. MASON KINNE, *Manager.**Associate*—GEO. F. GRANT.

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The following circular was dispatched to each member of the Association:

EDITORIAL ROOMS, 422 CALIFORNIA ST., }  
 San Francisco, Jan. 28, 1892. }

MR. ———

*Dear Sir*—Once more the demand for "copy" goes out to our patrons, and as an inducement for the brightest scintillation of wit and sparkle of talent, the Associate Editor has provided a valuable testimonial, which he offers as a prize for the best article which may grace our columns.

There is also an admonition with our demand this year to the effect that some of the latent talent, which as yet has not unearthed itself, *must come to the front* or there will be a court martial of two or three that we have our managerial eye upon.

Between the above intimation of reward and punishment there is a broad highway of peace and happiness leading down to our editorial sanctum which you should travel with steps of pride, and it must be a cold day when you cannot provide something in the way of anecdote, personal reminiscence, or views on various insurance points.

All manuscripts to be handed in not later than Feb. 15, 1892.

Fraternally,

C. MASON KINNE, *Manager.*

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## TO OUR PATRONS.

Another year has rolled around, adding more gray hairs and wrinkles to the heads and features of all of us, but the bright smiles and warm hearts are as youthful as ever.

As to the specials and adjusters, of course, *we ought not* to grow old. With good salaries, nothing to do but travel about in the palace car, dine at the best hotels and amuse ourselves for an hour or two in some pleasant village talking to our agent, or pleasing a claimant by paying him all he asks, is certainly not very wearing work, from the average manager's stand-point.

But at all events we are here to-day, forgetful of expense account, of stage coach and buckboard, of dust and rain, of hash and hasheries, of dead towns and lying claimants. We are not worrying over ambiguous contracts, non-concurrent policies or excessive profits sweeping a just salvage out of sight, but looking into each other's faces, bearing such an imprint of honest devotion to strict business principles as preclude the thought that you would go

for each other's best agent to-morrow, if you got a chance. For one day at least we are brothers in the true sense of fraternal business relations and can let each other see the better and more unselfish side of our natures.

But as the meat of these meetings is expected to be found in the reports of committees and addresses of members, it is only the purpose of the "Knapsack" to give it a flavor, add a certain amount of pleasing aroma to the solids and an enticing bouquet to the fluids.

Speaking of things gastronomically, reminds us that our Associate Editor will have to see that the "Knapsack" is properly supplied with rations at the contemplated raid on the commissary, as stern duty calls the Manager in another direction. We are sorry for this, for even insurance men appreciate the necessity of well-appointed kitchens, and, with the rest of mankind, believe that Owen Meredith is right in saying:

" We may live without poetry, music and art;  
We may live without conscience, and live without heart;  
We may live without friends; we may live without books;  
But civilized man cannot live without cooks.  
He may live without books—what is knowledge but grieving?  
He may live without hope—what is hope but deceiving?  
He may live without love—what is passion but pining?  
But where is the man that can live without dining?"

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### ABOUT BRINGING GOOD INTO THE BUSINESS.

If experience teaches anything, it teaches us that a mighty change is taking place in our business. Observe the insurance literature of to-day. It is plain, pithy and *free* to all. Printed instructions now mean just what is said, whereas in those elder days the bewildered student construed ambiguous sentences which intimated more than they expressed and gave wide margin for varied opinion. The agent of to-day is *made*. Instances have ceased of adjusters springing full-fledged into the field and gaining laurels off-hand without the drill of preparation. The leader of the future is grinding at his desk, giving ten good hours of conscientious work for a consideration. There is a change in the hazard created by new machinery, new appliances, experiment and invention. This changes the rate and alters the nature of exposures. The tone of the business is changed; it has gained dignity and importance. In our intercourse, one with the other, there is no longer the "mental reservation"—a promise of to-day has a value on the street. I do not claim this as a moral reform; said Hamlet to the Queen, "Assume a virtue if you have it not." There is a change. On the bench and in the jury-box, cases are not lacking where the verdict rendered in accordance with law and evidence is in favor of the defendant. Authorities are multiplying from decisions in various courts which have felt constrained to mete out even-handed justice and defeat the schemes of evil-minded ones whose claim is

based on false representation. These changes suggest this lesson: keep abreast of the time in which we live; keep step with the march of progress. It will bring good into the business.

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There are endless questions concerning a variety of topics which rise to the lips and get no farther. Ask plenty of questions, but apply to the right source. The Freshman is timid and has good fear of being set back by his elders. The Sophomore is big with importance and chaff—above criticism, yet ever sensitive. The Junior is your true mentor, for he is mellow with study, patient, having sympathy for a plodding brother. The Senior—(take heed lest you forget that he is the Senior!) his knowledge is for himself and his livelihood; yet in a community no larger than our own it should be no difficult matter to get below the surface even of one having authority and gain information of a general nature. As I look through the list, I find those who stand best in the good opinion of the profession are not miserly of their thoughts. Thoughts!—it is a great gift, thinking. Few of us get farther in it than to *think* we think; for, to be a legitimate thinker, is to be one picked out of a thousand. All but idiots have minds that reflect, like a more or less perfect mirror, what they see, read or hear; to the few is given the power to invent by mental process, to analyze criticism. Next to thinking, and as an aid to thought, questions come naturally and spontaneously. Questions provoke discussion, and discussion fixes ideas. If you are pertinently in earnest in your business, you will find other earnest men ready to meet you on fair ground.

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It is the latest popular custom at meetings of this kind to comment on the faithful, hard-working "Local," to weave for his brow a chaplet, to portray his virtues even to the border of sentiment. He is deserving of it all, and more. I have thought of him, and wish to offer a suggestion for the consideration of this meeting. It is only a suggestion, for it is out of the common routine and wide open to criticism. My plan is to collect together at a convenient time and place the local agents of the coast in convention, for the purpose of mutual exchange of ideas, and mutual benefit, all for the advancement of insurance and to bring good into the business.

GEO. F. GRANT,  
Associate Editor.

And now, gentlemen, we'll thrust our hand deeper into the recesses of our pack, and see what we shall bring forth of the good things stored away.

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#### CIRCUMSTANCES ALTER CASES.

Scene, a large clothing store. Proprietor, Mr. Moses, behind counter. Enter to him a gent with a book under his arm.

Moses (aside)—Ah! here comes that damned Assessor; I'll fix him! (To gent)—Goot mornin, my frent. How you vas dis fine day?

Gent—Oh, very well, thank you. You have a fine, large store here. Big stock of goods, too. Now, I wonder what amount of stock you must keep on hand to fill so large a building?

Moses—My frent, not so much as you dinks. You see dimes is hard and trade is very pad. I joost sell noting at all, so help me, Gott. But von must make a goot show, you know, so you see dese goats, dese pants, dese vests (handling them), all sheep goots; not much money in dem. All spread out zo as to make goot show, but not much vort. Times never vash so pad; I never sells noting. Yesterday von dam Irishman come in and he says to me, Moses, vot you ask for dem goats? I show him mein goats and pants and vests—one kind, anoder kind, every kind—but he shtay here one half hour, never say one word while I try all I knows to sell him a goat or someding. Bymeby he says, "Vell, Moses, times is bad and goots is low, I vant one goat. Sho you just come mit me to der saloon across der shtreet and treat me to von brandy smash, and I makes you an offer for de goat." And ven I go and dreat him vat does de dam rascal do? He just wipe his mouth on der sleeve so, and he walk right away, and never make me no offer at all! And dats der only customer vot comes in dese drie days.

Gent—Well, I'd just like to know about how much coin it takes to stock such a store. Say, how much, Moses? Perhaps I'd like to go into the business myself.

Moses—Vell, mine frent, I am an honest man, and I tell you the truth, so help me, Gott! Dere is joost nine hundred and forty dollars in de shtore!

Gent—Nine hundred and forty dollars! Why, man, what are you talking about? Why it is only six weeks ago you told me you had thirty thousand dollars' worth, and do you forget I am the broker who insured you for twenty thousand?

Moses—Oh, you bees de insurance man! Vell, I vas one d—n fool not to know you again! I taut you vas dat d—d Assessor, and you know dose fellows just rob a business man—rob him—rob him all de time So I fix up de goots for de Assessor, you see. But you bees de insurance man! Come, I show you dat I am an honest man. You knows I been insured mit dose companies five year, and I vas burnt out only drie times. You knows I am an honest man. Come! (Takes the gent down stairs.) Dere, you see all dem goots, I takes no advantage of the insurance! Dere, my friend, I gif you my word dere is dirty tousand tollars' vort of goots, and you insure me only dwenty tousand, you know. Mein Gott, vat a fool I vas to take you for dat d—d Assessor!

Gent (taking out his book)—All right, Moses; I assess you for thirty thousand dollars.

Moses—Vat you say? You bees the Assessor and de insurance man, too? Mein Gott, for what you not tell me you change your peesiness? So help me— You bees one d—d rascal to sheet an honest man like dat? Vot for you play such d—d tricks to rob a poor man. D——n!!

Gent—Good morning, Mr. Moses. Next time be sure of your man before you show your hand. Remember, it's a bad rule that won't work both ways. [Exit.]

## COMMUNICATION.

PORTLAND, Oregon.

EDITOR KNAPSACK—So many good things will be offered you, that my mite will, I fear, not be entitled to even a place in the outside, with the panikin.

Things *don't hopper much* in Oregon to adjusters. Railroads in which accidents are not allowed to occur run to all the towns where fires occur. *Sleepers* are common. The dangerous streams are all bridged. Where railroads are not built, magnificent steamers ascend the smallest rivers to their very source, or Concord coaches, drawn by elegant horses over macadamized roads, carrying you smoothly along. The highway robbers have all joined the church; the Indians have become *rational* beings, and only go on the war path when Uncle Sam's grub gives out, and though occasionally you meet a "buck-board," the bucking horses have all been broke to ladies' use; and so I cannot, like my California brethren, give you very blood-curdling adventures.

A snow blockade of ten (10) days—having to keep moving for thirty hours to keep from freezing—no grub to pass the time; ascending rivers in a crazy Indian canoe with only Indians for companions—where every sharp bend in the river had its legend of drowned miners—these things, while adding spice to the usual dullness of Oregon life, are of course mere trifles to those who travel in the wilds of California. I therefore spare you details.

I recently met an adjuster who thought I was a Californian, who gave me the following, which I forward as a contribution from a wild untutored Oregonian.

### A LEGEND OF THE RHINE(O).

In a beautiful country, where everything is evergreen, because the sun never comes out to dry the pearly rain drop which comes with delightful regularity, is located a beautiful city, grown fat with wealth and prosperity. The city is beautifully situated on a magnificent river, broad and deep. The country is called Oregon, and it is supposed that the dirt with which it was built came from Ireland. One thing is certain, no poisonous snake or reptile is found on its western slope.

The people do not speak Irish, but the oldest inhabitants, the first families, speak a "jargon." The people are known as "Webfeet." This name was given to them by the first Californian who came, who supposed they were aquatic, because they found their nests so *well feathered*. The people generally took things very easy, making money without effort, but in the days I write of, existed on a well-known class who were an exception to the general rule. They were known as insurance agents. Existed, I say, because at present the race is extinct, *nearly*. They were so active and energetic that they were a source of great annoyance to the old business frater-

nity, who didn't believe in activity and enterprise. Every one supposed they were getting rich, but people were not aware of the goodness of heart and generosity of these agents, for, while they were supposed to be making large commissions, some of them were secretly returning all their profits to the needy persons buying insurance from them. Such generosity should have brought its own reward. It did. A disease called the "rebate" broke out among them and became epidemic. When the disorder was at its height, a meeting of all the agents was called to devise means to arrest its progress. One peculiarity of the disease was, that every one thought himself the only one free from it. After many plans were suggested, some one said that there was a fiddler in town who could cure any disease by the magic of his bow. Every fellow wanted to see the other cured, and it was decided to employ him. The fiddler made the rounds of the offices, playing enchanting music; the insurance man could not resist the bewitching strains. Principals and clerks followed the fiddler until every one in the business had joined the festive procession. The fiddler led them to the river bank and plunged into the water, still playing; all followed—all, save one; he was an adjuster as well as agent. When young a fairy had kindly stood for his godmother, and had given him a charm against water; some people said he wasn't born to be drowned—water didn't agree with him. He didn't believe in the water cure, so took a *ferry*-boat across the stream, expecting to meet his comrades on the other side. Alas! they never came. He mourned their loss, but consoled himself with the reflection that now he had the entire field to himself, and would do a smashing business. Strange to say, this was not the case. People quit insuring, and it was impossible for him to live on the business, and he was obliged to shovel dirt for a living. On being asked what charm the music had for him, he said, "I thought it said, 'Come, I will take you where there is a gilt-edged steam planing mill. Well, where there is no rebate.' The man has just arrived from California, where no such thing is known. Other agents don't know of it, because the lumber is not on the ground yet."

X.

"X" is a little mixed in his metaphors, but the moral is good.

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*Conundrum*—What is the difference between a livery stable and an omnibus building?

This was asked of the writer by one of the prominent (?) agents of a large Nevada town, after he had received a liberal share of the special's instructions, and when he was endeavoring to inform himself as to the intricacies of rating.

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#### REGISTER EARLY.

Insurance men are ever on the alert for circumstantial evidence, and it is not strange that their wives, by association, should exhibit a similar tendency. A case in point recently occurred when Winsome William, of San Jose, stopped

over night in the city for the purpose of criticising, in company with his friend Carpenter, the fire hazard of a spectacular play. Mr. C., who then did his regular sleeping on the other side of the bay, left his satchel at the hotel where both were to stop, early in the day and registered, but as William never thinks of carrying any baggage for a trip of less than a week's duration, he had no occasion to visit the hotel until his dazzled eyes and excited brain sought rest, after the calcium light had cast its last reflections on the Amazons and the theatrical fairy had kicked her last kick. It was, therefore, a little difficult for him, or any one else, to tell whether he made his hotel registry "last night or to-morrow morning."

The next night, having descended from the delectable mountains of San Francisco burlesque to the dead level of domestic San Jose, he was expatiating on the glories of the previous evening, when his wife, in as casual a manner as circumstances and a remarkable self-control would permit, asked:

"Where did you stop?"

"Oh, Carpenter and I staid at the Lick House."

"You did? Well, here is a copy of this morning's *Chronicle*, in which I find Mr. Carpenter's name in the list of guests, but I don't find yours."

William doesn't often take a back-set, but he was non-plussed in this instance, and when his name appeared in due form in the next issue, he felt that he lay himself open to the suspicion of having "seen" the newspaper man. He now makes it a rule to register before dark, so that his name may get in the book in time for the next morning's paper. Not having much hair to lose, his practical good sense as an adjuster, teaches him that the salvage of that which he has, more than offsets any financial loss resulting from the payment for a night's lodging six hours in advance. C.

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### WATER PRIVILEGES.

It is said, once upon a time, that our good friend who now leads a lion about by the mane, waiting for the Sexton's bell to ring him to his meal off the agents scooped in from the field, did, in his first trip for and under the tuition of the "General," proceed to Truckee, and soon thereafter forward to the said "General" Agent an application for insurance that he had worked into shape, and which included, among other items, certain amounts on a Turbine water-wheel, and also on the dam.

All was satisfactory from the company's stand-point for some two or three years, when the assured began to think that to pay the premium for insurance on a pile of logs with twenty feet of water behind and running over it, was not profitable—to him—and so cut it out of the next renewal.

The dam is there yet, with the silvery sheet of water still flashing back the rays of bright sunlight, all of which goes to show that Dornin always did believe that the best of anything was good enough for him; but this not being satisfied with writing on the water-wheel, but must go for the dam also, is a little too *gill-edged* entirely.

## A DREAM.

For a whole year past, since the agents found out  
That adjusters and specials were safe without doubt,  
Their minds have been greatly perplexed  
As to what in the future will be their fate,  
If they too can pass through the heavenly gate  
When they go from this world to the next.

Now, in order to set troubled minds at rest,  
And to aid them in settling their anxious quest,

I will tell you a little dream  
That came to me one night as I slept,  
And worried me so that I fairly wept,  
So real did it seem.

Methought I stood by the little door  
St. Peter watches so carefully o'er,  
And looking the wicket through,  
Found a goodly company in sight  
Who seemed to think surely *they* were all right,  
And many of them I knew.

There were Flint and Spencer with Capt. Magill,  
Firmly marching straight up the hill,  
And close behind them came  
Jacobs and Easton, Haven and Pope,  
Faces beaming with pleasure and hope,  
With others that I could name.

Following them in unbroken rank  
Came Hamilton, Dickson, Hunt and Frank,  
Andrew Smith and Chas. R. Story,  
Carpenter, Bromwell and Landers, too,  
All looking as happy as if they knew  
They were on the road to glory.

Brown and Bailey, Syz and Grant,  
Naunton and Butler, looking askant  
At the Lion led by Dornin.  
Potter, Jones and Farnsworth came in sight  
With Laton and Speyer, looking as bright  
As a beautiful May morning.

But Peter said—"Ere I unlock these gates  
You must each assure me you have never cut rates;  
Also explain your position  
On the troublesome subject which all of you know  
Has made such '*bobbery*' there below—  
The matter of commission."

"If while on earth you can truthfully say  
That you kept your agreements every day,  
And did not once deviate;  
Ne'er around the stump have the devil whipped,  
Nor in any way from the right path slipped,  
I will hasten and open the gate."

I saw that they all seemed perfectly dazed,  
 And mournfully on each other gazed,  
 And sadly they turned away,  
 Save one, who could stand the required test;  
 I could give his name, if I thought it best,  
 But prefer that *you* should say.

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EDITOR KNAPSACK: *Dear Sir*—To supply your demand for copy, we give the Association the benefit of three letters received by us during the past few days, from our agents at different points on the coast. They merely show the “stuff” the different agents are made of. Our best wishes to the insurance fraternity is that every company doing business had an agent at every point made out of the same stuff as writer of letter No. 3.

Yours truly, ———, Gen. Agent.

Letter No. 1 is from one of our agents, who having failed to remit for premiums after policies had been in force three or four months, and had failed to take notice of at least two accounts sent him, was gently reminded that *coin* was wanted. It reads, viz:

——, February 15, 1882.

Messrs. ———: Yours of the 10th at hand; contents noted. Now, in regard to balance due you of \$60, nearly one-half of it is for my own policy, and I felt you could well afford to give me that, or at least wait until I could pay it; but you seem to be in such a hurry about it that I will try and relieve you before long—pay up and quit business. I have done your business for a long time, and as I supposed satisfactory, but I see you are not satisfied, and I think we had better dissolve. I have been urged by other companies to do business for them, who have offered me 20 per cent. for the warehouse insurance, and 25 per cent. for standing grain. They are good reliable Board companies. I have some money due me next month, and if I can collect it, will send you every cent due, and also all the books and papers that I have of yours, and will try my hand in doing business for other companies.

Yours, etc. ———

Letter No. 2 is from an agent to whom we had returned a dwelling house application for \$150, at  $\frac{3}{4}$  per cent., explaining to him it was too small a premium to issue a policy for. It reads, viz:

——, February 18, 1882.

Messrs. ———: *Gentlemen*—Yours of the 12th inst. at hand, and will say that you have placed us in a very embarrassing position. We accepted the application and approved it, and now you refuse a policy. We are compelled to insure it in one of our other companies.

We are perfectly willing to listen to any suggestions you may wish to make, and while we do not presume to dictate the manner in which *you* should do *your* business, *we* must reserve the right of knowing something of *ours*, and with all due respect, we think we are better able to judge applica-

tions and their attending circumstances *here* than you can be in *San Francisco*.

*This must not occur again*, and if you are to refuse to issue policies when we ask for them, unless some radical error exists in the application, we think it would be best to return our certificate.

Yours truly,

— & —

NOTE.—It has been suggested that we keep the above as a copy, so in case our companies criticise any of our risks, we can answer in same terms as our agent has written.

Letter No. 3 is from an agent, it is a pleasure to correspond with, and from one who has his company's welfare at heart. It is in answer to a *rigid* questioning regarding moral hazard of the assured under one of his risks, and also regarding water supply, and reads, viz:

— — —, Feb. 19th, 1882.

MESSRS. — — — *Gentlemen*—Your favor of 18th at hand, and we are pleased to see you are wide awake to your business interests, as here is no better guarantee to us and the assured of stability of your agency, and that our clients in — — — Co., are *insured*.

The fire of December 13, 1881, originated in the building adjoining Mr. A, and there was not the slightest question of moral hazard. His clerk, a most estimable young man, narrowly escaped *cremation*. At that time Mr. A was insured in the — — — for \$2,000, which was fully paid after six days' close account of stock by — — —, adjuster. Mr. A has a family here, and has been in business a number of years.

We trust you will accept no risk from us that you are not *perfectly* satisfied with as a business proposition. If it is not a proper risk for our companies, it is not for *us*, and we would prefer to refuse it altogether.

A committee of citizens have recently chosen sites for new cisterns, which are in place, and are to be provided with 5-inch pipes from the mains, and have taps for fastening or coupling hose to the pipe in the absence of engines.

The new cisterns are small, but the supply-pipe is supposed to furnish water to them as fast as the engine will draw it off. We are moving to thoroughly reorganize for the summer campaign. The main pipe of the Water Co. is not as large as it should be, and in case of a large fire, would not furnish water for a large number of hydrants; but we are aiming to beat the common enemy at the threshold, if possible.

"Capt." Dimond, of the Phoenix, and "Col." Kinne, of the L. L. & G., were with us a week, recently, and from them you may obtain information of value.

Yours truly,

— — —.

#### SOME INSURANCE TALK AT A COUNTRY HOTEL.

We were sitting before a roaring fire in a dimly lighted hotel office. Office by courtesy only, for it answered the requirements of a bar room, trunk room, reading room, card game and billiards. Not to forget a unique affair in the corner for lavatory uses, including three yards of revolving stuff not

unlike sand paper in feeling, while to the other senses it was an ancient and fish-like satire on Turkish towelling.

Outside, rain poured gustily. Inside, dampness penetrated. An incessant drip, drip, drip, fell on the ear with the monotony of a sad heart-beat.

We had the room to ourselves at last, discussing points of adjustment and what not, until "Aretas" straightened himself, and was delivered of the following: "Gentlemen, talk about total depravity, I tell you the country hotel is the root of all evil. The country hotel is original sin, it is the father of cussedness, and the nurse of crime. Attacking the human victim at the seat of intelligence, the stomach, it spreads through the entire system, leaving it a hopeless wreck. We eat, we drink, what? Food, in its primal state fit for gods and goddesses. Fresh from gardens and shambles, rich, juicy, teeming with all health-giving qualities; but in the hands of that arch demon who rules over the frying pan it becomes a substance, a variety of substances, calculated to bring a nightmare that will attend your waking moments. A peaceable man by nature, I have seen times when I could shed blood, could dance on the grave of my dearest foe with maniac glee, all because of the leaden substance taken to support life, and familiar to your ears as 'beef steak, mutton chops and liver tea or coffee,' and as for the drink, infusion of pennyroyal and thoroughwort, ground beans with chickory. I hold it is a crime, a punishable crime."

"Oh, stop!" said "Gravely." "These extreme and extravagant words destroy the very argument. I admit there is much to complain of, but that portly form, 'Aretas'—that clear eye and fresh complexion—deny the waking nightmares. I concur as to the location of your seat of intelligence, but let me tell of a meal at a country hotel. 'Omega,' over there, remembers it. It was at Lake Tahoe. Too busy to fish, we sent out a man. He returned with a trout which must have weighed ten pounds—a beauty, still alive, swimming in a tank, when we gazed at it. 'Did the landlord know how to cook a trout?' 'He should smile.' 'All right; serve it for breakfast.' What a night of anticipation! How we paused over scorched and soaked books of account to recall the trout breakfast! How at last we toyed with knife and fork, an expectant light in our eyes! It came—ah, how we beamed! It came—ah, how we shivered! Cooked? It *was* cooked, until, in its charred remains, nor man nor surviving member of its family could recognize trout. Dry and greasy and bad, it might have been sturgeon or shark; it was *not* our breakfast. I do not go so far as you, 'Aretas,' in wishing to dance upon that landlord's grave, but if I had heard of his accidental yet shocking death, a holy calm would have filled my breast."

"I do not wish to choke any one off," said "Altamont;" "but what crazy nonsense this all is! Now, I have been on the road as long as any one here, at a time, too, when there were no railroads—when days and nights in a stage coach were as bad as any hotel could be—and I have always found plenty to eat that was good and wholesome. I have adjusted more losses, and probably know more about California, than any one. As for tea and coffee, why, if you don't like it, take milk. I never found any of their lawyers who would

not admit that any proposition was correct; and if you can't get milk, water is good enough for the time being, or whisky for that matter, although I don't need it. I can dictate two letters to different people on different subjects, all on the food and drink I get at country hotels. If that is not proof, what is? If any of you fellows want help in your cases, call on me. I am going to bed."

"Just one minute," said "Berg." "I have a good thing on 'Altamont.' Some years ago, I invited him to make a fourth at a little dinner given in honor of two Eastern brothers. We went to the old Louisiana Rotisserie. 'Altamont' didn't want soup, and, after eating a pound of bread, what, in heaven's name, do you suppose he called for? Pudding!—by the eternal—and, dash my buttons, if he didn't order *soup* while we were at dessert—that's the sort of a liver complaint he is."

"Wild" here got the floor. "If I am allowed to get a word in edgewise with this convention, I put it up that the Oregon landlord takes the prize. Let me give you our experience. Time, 6 A.M.; season, winter; air, frosty—raining all the same. Drowned-out old stage dumped me at the door; inside, old man asleep by the stove, boots nearly burned off him. 'Hello, pard,' shouted I, 'where's the landlord?' Long stupid stare. 'I be,' said he. 'I want a room—nice room.' No answer. 'I want it now—right off.' Not a burned boot dropped. '*Can I have a room?*' 'Waal, yaas, I presume so.' 'All right; lead the way.' With a blink that would have turned an owl green with envy, he pointed a long finger, saying, 'Take any of them left-hand rooms as is empty on the left-hand side up-stairs.' I was making up sleep at the rate of forty-eight hours a day when I became conscious of a riot outside my door. That landlord had given me the room of a regular boarder—a gambler." "Wild" was here interrupted in his narrative by a voice, saying, "Gentlemen, it is late, and the guests complain that they cannot sleep for your conversation." "I don't doubt it," said "Wild;" "this house is like a drum—you can hear what is said in any part of it. I remember once a young married couple came here"—but another beautiful reminiscence was lost in the general break-up.

G.

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### CAUSE AND EFFECT.

A fire on the premises of Dr. Port at Chollas Valley, near San Diego, Cal., destroyed a small barn or cow-shed, causing a damage of perhaps one hundred dollars. The fire occurred while the doctor was in town, and for some time its origin was a complete mystery. Determined to find out, if possible, how it occurred, Dr. Port on his return instituted an investigation, and arrived at results which makes the affair one of the most singular we have ever heard of. In the morning some brush had been burned some distance from the barn, and when the doctor left home the fire had ceased to burn—the brush being all consumed. Among the pets on the place is a fine young dog,

whose chief delight is to chase the numerous colony of rabbits (jacks and cottontails) abounding in the valley. Noticing the dog to be quite lame, Dr. P. proceeded to make a diagnosis of doggie as well as the fire, and found the dog's foot to be quite badly burned between the toes, which led the doctor to follow up his "lead" by which it was doubtless correctly determined that the dog had been in pursuit of a rabbit, whose flight had led him across the burned patch of brush. The fire was apparently all out, but the dog had stepped upon a small smouldering brand which became fastened between the toes. The sensation to the poor dog doubtless made him think he was the pursued instead of pursuer, and "turning tail" he fled for home and jumped the fence into the small yard adjoining the barn. The yard being covered with loose hay, the brand became detached from the dog's foot in jumping the fence and fell among the hay, thus setting fire to the premises.

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### HOW I KILLED MY MAN.

I once killed a man. He was a perfect specimen of his kind; of him it may be said society met a long-felt want in his demise.

He was short in stature; round, thick-set, swaithy; had broad shoulders and black bead-like eyes; to him a necktie was a useless appendage; summer and winter he appeared in shirt-sleeves; his eyebrows were bushy; his hair stood upright on his bullet head, "like quills upon the fretful porcupine;" his voice was a subdued roar—he spoke in thick gutturals, producing an effect not unlike *solid extract of sound*. I am in doubt as to his nationality; he appeared to combine traits of every known race,\* and his characteristics were of the four quarters of the globe.

Not having killed a man before, my emotions were varied. This is how it happened: He kept a general merchandise store, and, like a prudent merchant, had policies with two companies, but, unlike a prudent merchant, when the fire occurred from causes to him unknown, he had made such an unequal distribution of coal oil about the premises, that the little room in the rear alone was damaged, while the tell-tale stock in the main store stared sullenly from the shelves, silent witnesses in the case. Before I reached the spot, the district agent of the other company had settled his loss, paid it, taken up his policy and departed, as a precautionary measure, telling the assured that the *other* policy contributed its full face value.

Let me draw a veil—two veils—over the picture of my progress with this good man. How he did swear! Swear—he swore in seventeen languages—swore in all the inner keys, from baritone to double bass—swore to the top of the flag-staff on Mount Davidson and down to the lower level of the bottomless pit. When he had finished this volunteer crop of oaths, he swore judiciously in the presence of a notary, Suffering truth, how he did swear!—swore that in this little 10x12 and 8 feet high was stored every variety of mer-

chandise, sewing machines, agricultural implements, hay, grain, feed, groceries, provisions, hardware, nuts, candy—*everything!* It was the nuts and candy “broke the camel’s back.” An itemized statement footed up fifteen hundred weight of nuts, and a ton of candy, all in sticks. I stopped him right there.

“Hold on, friend,” said I, “whatever happens, I do *not* want you to forget anything. Take plenty of time; talk it over calmly with your partner. True, he is not interested in this policy, but he can make suggestions. Come to town by and by and see your friends and the people from whom you buy goods. Get duplicate bills and statements of accounts, that will help you some. Don’t forget the candy man; he can, no doubt, think of something not down on your list. Prices may be higher than when you laid in your winter’s stock of nuts. You are entitled to every consideration in this matter. Bring the nut merchant round to the office. I would not see a poor man ruined knowingly. Our instructions are to point out to the assured any loss he has suffered which may escape his eye in the excitement of the moment.”

Thus I spoke with him; thus I measured him, while his breast heaved with emotion and his eye burned fierce and fiercer. Suddenly, without warning, he went mad right there; he raved, foamed at the mouth, and bit at the air. It was a merciful Providence intervened and struck him to the floor, a senseless lump of clay. They took him up, carried him out, and that week they buried him. It was the public administrator paid him this tribute; said he, “He was great—for one thing. He was the greatest *liar* in the world.” G.

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DEAR “KNAPSACK”—Open the inner pocket of your “old pack,” and tuck this away for the next tea fight—if you want to.

### “CONSEQUENTIAL DAMAGE.”

The ideas of the great unwashed majority of the “plebeian herd” regarding the liability of insurance companies are as varied and vague as those of “a hog of a holiday,” and happily illustrated in the recent experience of “one of us” in an adjoining county.

Due notice of loss was received at headquarters, and one knight of the 3ds. Draft-Book hastened to the scene on his errand of mercy. The damage to building and furniture was found to be trifling, but the internal effects of mater familias were rent and disrupted as if by a volcanic eruption, and, though the smoke and ashes had drifted away, great distress still prevailed.

Right here came in the question of “consequential damage.” The loss to building and furniture had been amicably settled, and the adjuster was on the point of taking his departure, when the claimant brought him to the “right about” with a claim for damage through the premature birth of his infant son William. To arrive at the measure of this damage was a puzzler for our adjuster, but, as we all would do, he fell resolutely to work, and first

satisfied himself that the damaged article had been properly covered and the thing was legitimate, and William would have been due thirty-one days from the date of the fire. Then arose the problem, what would be the present value of a Bill maturing at 31 days—interest, 9 per cent. But here he was startled to bethink himself that he was ignorant of the face of the Bill, and a sight of it was refused him. Still, always fertile in resources—like all of us, he took a horn of the dilemma, and, knowing the usual bill for such things—he started out with \$50 as a basis. Then, turning to his “Tiffany” for a proper table of depreciation, he concluded that “nut and bolt works with gravel roof” would be the correct guide.

This question of depreciation is always vexatious and prolific of more trouble than any other in the line of our calling; but, going quietly away by himself, our adjuster tackled it. Q. E. D.—If nut and bolt works will depreciate 5 per cent. in a year, how much will it depreciate in 31 days, figuring from an *inverse* ratio? After laboring earnestly for some hours to bring the thing to a solution, and having “reached the base line,” he was surprised by the claimant suddenly exclaiming, “Look a-here, old man, you just pay the doctor’s bill and I’ll let you off.” “How much is it?” asks the adjuster. “Ten dollars,” says the claimant; and ten dollars was the compromise figure.

Yours,

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And now, being of the opinion that we have got right down to the bottom of the thing—of the “Knapsack,” I mean—the Manager and his Associate are ready to consider the inspection over and “fall in.” Methinks we hear the merry tones emitted with jangling jar from the metal throat of the bugle, sounding the well-known “Dinner Call,” and we sling knapsacks with alacrity and are willing to go marching along for another season,

President—Is Mr. Spencer, the Chairman of the Executive Committee, here?

Mr. Spencer—Yes, sir.

President—Mr. Spencer, what has been done with regard to our banquet?

Mr. Spencer—I wish to state, about the banquet, that it will be held on Friday evening at 7 o’clock, at the Maison Doré. You will all receive rations in the shape of a tag for your acceptance.

President—How about invited guests?

Mr. Spencer—In regard to invited guests, if any of you have

friends, whom you desire to invite, if you will send your tags charged, we will have the proper invitations extended to them.

President—Gentlemen, are there any committee reports?

Secretary—Here is the report of Committee on Losses and Adjustments, which was laid over until this meeting, and properly comes up at this time, as unfinished business.

President—Gentlemen, what is your pleasure with reference to that report?

Secretary—For the benefit of members who were not present at the time the report was presented, I will say, the report is on the question of changing the per diem fees which now govern the members of the Association as to adjustments.

On motion, the report went over to a special meeting, to be called by the President.

President—Mr. Secretary, any other?

Secretary—I have here a letter or note from George W. Hayes, Esq., Secretary of the Fire Underwriters' Association of the Northwest, in which he says he has sent us a copy of the proceedings of the twelfth annual meeting. It has not arrived yet. He also sends us a new form of combined survey and diagram, for the consideration of the Association, and any others that wish to look at it.

President—If there are no objections, letter and survey will be placed on file. There being no other unfinished business, we will proceed to open under new business, and next in order is the election of officers for the ensuing year.

Mr. Spencer—I wish to nominate for President Mr. George F. Grant. I think Mr. Grant has been a very efficient member of this Association from its start, and has taken a great interest in it, and it is simply duty to him to recognize his services. His contributions to the literature of the Association have always been appreciated by every one, and I think he will be a very efficient president.

Mr. Hunt—I take pleasure in seconding the nomination.

Mr. Spencer—I move the Secretary cast the vote of the Association for Mr. Grant.

Carried, and the Secretary cast the affirmative vote of the Association.

President—Gentlemen, you have elected Mr. George F. Grant as my successor. I heartily second the remarks of Mr. Spencer, and there is no one to whom I would rather turn the office over than to Mr. Grant.

President-elect Grant then took the Chair and remarked:

GENTLEMEN—I thank you kindly for the honor that you have conferred upon me, for I consider it an honor to preside over the deliberations of the meetings held during the year, and this annual meeting; and, owing to the lateness of the hour, I will not attempt to make any speech to you, but I will say, that, with your assistance, it shall be my hope and endeavor to make the next annual meeting as interesting as this has been to you as well as to myself. They appear to increase in interest year by year. When this Association was born in a sleeping-car and reared in the dining-room of Mrs. ——— at Virginia City, it was for the sole object of making a feeling of harmony and good-fellowship among the adjusters. In fact, everybody was an adjuster at that time, for, although the presidents and vice-presidents and secretaries, and others, were there, they were there in the capacity of adjusters—every company being interested in a large amount, you will remember.

The object of its starting has been attained. There is to-day a feeling of harmony and good-fellowship such as I do not believe exists in the same number of men in one business anywhere, and the work that is to be done now by this Association is work for the advancement and benefit of the business. I remember at first that the officers, after the excitement of the time had passed—the presidents and officers of companies—felt that an association in a city no larger than this, would be, in a measure, a rival of what was then known as the “Board of Under-

writers;" but as time has gone on and several years have now passed, we ourselves have found, and they have seen, that this is neutral ground. Everybody can meet here—every man who settles a loss, or acts in the capacity of adjuster or of a field-hand, can meet here—and express his views in the presence of his principal, without fear of criticism, without fear that his motive will be misunderstood. We are all, as it were, taking hold of hands and working for the general good of this business on this coast; and I hope that the hands will still be clasped, and we will continue to work together and develop that business until we arrive at that beautiful millenium, where there will be nothing else to gain.

Mr. Bromwell—I take pleasure in nominating Mr. E. W. Carpenter for Vice-President of this Association. In making the nomination, I desire to say that I think there is no man in connection with the Association that has done more for it, that has been prompter, and whose contributions have been more studied and more elegant, I may say, than those of Mr. Carpenter.

Mr. Potter—I second the nomination.

President—Gentlemen, you heard the nomination.

Mr. Spencer—I move the nomination be closed, and the vote cast by the Secretary for Mr. Carpenter.

Motion put, carried, and Secretary cast the vote.

President—I take pleasure in announcing that Mr. E. W. Carpenter is elected Vice-President.

Mr. Garniss—I renew the nomination of Mr. J. W. Staples for Secretary, and move that Mr. Carpenter, the newly elected Vice-President, cast the vote.

Mr. Staples—I hope that the nomination will not prevail. I feel that I cannot give the duties of Secretary the attention which they deserve, and trust you will nominate some one else who will give them the attention they require.

Mr. Bromwell—There is a great deal of the detail work that Mr. Staples has followed from the organization of the Associa-

tion to the present time that a new man succeeding him would have to study all up. I do not think that a change in that place would be beneficial to the Association. If we can prevail upon him—and I hope we can—to consent to take the office for another year, I will take pleasure in seconding the nomination of Mr. Garniss.

Mr. Staples—The Secretary simply desires to say that his remarks were prompted for the good of the Association. He will probably be absent during the greater portion of the year, and under those circumstances he felt that it was neither right or proper for him to accept the position. It is therefore for you to determine in the premises.

Mr. Garniss—Mr. President, the Secretary can very readily turn over any duties to be performed to some one, which he has done heretofore, and is the habit in other societies. His efficiency has been of such a character, if his fear that he cannot do his duty is all that leads him to decline, I do not think we can excuse him.

President—Those in favor will say, Aye.

Mr. President, it was included that Mr. Carpenter should cast the vote.

The motion was put, carried, and Mr. Carpenter cast the vote; whereupon Mr. J. W. Staples was declared re-elected for the seventh term.

Mr. Bromwell—I nominate Mr. Hunt as Chairman of the Executive Committee.

Mr. Hunt declined, and, on motion of Mr. Bromwell, Messrs. T. E. Pope, A. D. Smith and T. A. Mitchell, received the unanimous vote of the Association, and the President declared them duly elected as the Executive Committee.

Mr. Craig—I move a deposit of \$50 be made to the credit of the Secretary for his services.

Seconded and carried.

After a few remarks by members of the Association, upon motion, adjourned.

## THE QUARTZ MILL HAZARD.

A paper submitted by W. W. Hanscom to the Quarterly Meeting of the Fire Underwriters' Association of the Pacific, held November 17th, 1881:

*Mr. President and Gentlemen:*

In honoring me with an invitation to present to you a paper on quartz mills as a hazard in fire underwriting, I fear that I shall be unable to treat the subject so fully and completely as you require and should expect, to be of interest and information such as the important nature of the subject demands, so that I shall at the beginning ask your kind indulgence for the missing links in this brief treatment of quartz mill hazards.

To you who are writing quartz mills, the natural inquiry is, What are the natures of the various points which contribute to constitute the sum of hazards which shall determine the rate at which risks on quartz mills shall be written, and that the rate may neither be extortionate to the insured or a source of loss to the insurer?—in other words, a fair, just and equitable rate that may yield a fair profit to the underwriter.

To me the hazard consists of two kinds:

First, the natural, or that which is inherent to its occupancy and class which is itself divided into several grades, according to the general method or process employed in operating upon the ore.

Second, the so-called moral; an unknown factor varying with the productiveness of its use and the harmonious business relations of its owners.

The first hazard may be divided somewhat as follows:

### GOLD MILLS USING ONLY SLICES AND OPERATED BY WATER-POWER.

Gold mills as above, but operated by steam-power, and usually called steam-power quartz mill in contradistinction to water-power mills.

Gold mills operated by steam-power, and using pans for grinding and amalgamating.

Silver mills operated by steam, and crushing the ore wet, and using pans for grinding and amalgamating.

Silver mills operated by steam, and crushing the ore dry, and which require a drying-floor for expelling the excess of moisture from the ore before crushing, also using pans for grinding and amalgamation immediately after crushing; and

Silver mills, which crush the ore dry and then roast the ore in a roasting or desulphurizing furnace before grinding and amalgamating, also operated by steam-power.

We may leave out of this paper the simple gold mill operated by water-power, as the rate which would be proper for a steam-power mill would be still more favorable for a mill operated by water-power.

#### AS THE ESSENTIAL COMPONENT PARTS

Of a quartz mill are composed of wood and iron, with the exception of the furnaces, which are connected with the drying-floor, roasting-furnaces and boiler-furnaces, and assay and retort-furnaces, it is well to understand what are the relations of the wood to iron, and also the general construction of the wood-work, and building of such wood-work as is used for support of the iron machinery and the form and arrangement of the building so far as it may retard or assist its destruction when once on fire.

Quartz mill buildings are, as a rule, constructed of a form most conducive to an entire destruction when once on fire, being nothing more than a large shell with the wood or lumber disposed in the most favorable shape for rapid combustion, and not subdivided in the interior into rooms, so that there is nothing to hinder but all conditions predisposed for a total destruction of the building when once on fire. The usual arrangement of quartz mill machinery prevents any isolation of its parts that are liable to serious damage by fire, consequently it may be safely assumed that all quartz mill buildings will be totally destroyed if once fairly on fire. By this I mean that any fire which occurs and is not put out in its incipency, such as might be entirely quenched by a pail of water; for with all the appliances possessed by the majority of quartz mills and the facilities for the use of water, I do not know that the entire consumption of a building has been prevented, and no matter how well intentioned, prompt and energetic those who are employed about a mill, the combustion is so rapid that there is not time enough to effect such a purpose. This may be better understood when I state that less than

#### THIRTY MINUTES WAS REQUIRED

For the entire destruction of a mill building covering a space of ground one hundred and twenty by one hundred and fifty feet, and containing one-half a million feet of lumber in its construction, and this time is reduced to ten minutes in the case of smaller mills and in dry localities.

What is true of the building is very nearly true of the wood-work which is used as frame-work and support for the iron machinery, and if this wood-work is not entirely destroyed, it has so far lost its identity and form that it is practically consumed, so that almost always the entire wood-work of the mill will, if insured, be paid for by the underwriters in case of a fire, as it may be taken for granted that whenever any fire is reported from a quartz mill it will prove to be utterly destroyed. So far as the wood-work is concerned, it is necessary to look for the conditions under which the mill takes fire, and to

use such precautions as will prevent those conditions from obtaining so far as can be done consistent with care and attention, according to the class of mill and the additional chances incurred from an increased amount of heat used around the mill.

As in all steam-power mills, the boiler-furnace is common to all; that should have the first examination.

First, the character of the fuel used, and in connection with this will be the influences of climate. With all fuel there will be some reduced to the state of dust in handling, no matter whether it is wood or coal, and the

#### FUEL WHICH IS REDUCED TO A POWDER

is one of the sources of danger from fire, for a simple experiment of dropping a small quantity of powdered wood upon the flame of a lamp, or upon a live coal, will demonstrate the rapidity with which finely divided vegetable matter, as well as coal, will burn and communicate heat from one particle to another. In bringing the fuel from its pile adjacent to the furnace, more or less of this fine dust is scattered on the way and gradually carried to other places, and only waiting for some unintentional negligence to throw upon it some hot ashes, or a cigar-stump, or partly burned match, together with breeze of wind or gale, which often happens whenever these dust-piles catch fire, to create a demand on the insurance companies for an indemnity. Where the fuel is hard wood, and the climate not extremely hot or cold, and the locality not subject to strong gales of wind, the danger natural to wood as a fuel is least; but where brush is used, and the temperature is high, with a dry atmosphere, then the danger is greatest, especially as these localities seem to be the most liable to sudden and furious gales of wind. It is needless to more than call your attention to the circumstances, as you will at once perceive the necessity of a strict attention to the fuel hazard.

#### THERE SHOULD BE BUT ONE CHANNEL

for the escape of the products of combustion of the fuel, and that is from the furnace, around and through the boiler, and its exit at the top of the smoke-stack; therefore care should be exercised that there are no holes left open through brick or stonework surrounding the boiler, more especially if a damper is used in the stack, as in case of a temporary stoppage of the mill this may be shut, and even flame might be forced through any interstices, which there might be, either by inadvertence or by the natural action of heat upon walls of the furnace. Sometimes, with the damper in the stack shut and the ash-pit doors closed, there will be an accumulation of carbonic oxide, which, by opening the doors again, suddenly explodes and sends fire in various directions through the furnace-doors, if not doing damage of a serious character.

These remarks will also apply to any furnaces used around a quartz mill.

## IT IS NOT ALWAYS WELL TO USE WOOD

as a support for the brick-work of furnaces, nor is it safe to use the brick-work of a furnace as a base or support for wood-work, as I have seen in some so-called first-class mills, and which, in one instance, cost the insurance company probably nearly as much as the total premium receipts for a year of all the quartz mills insured in that State.

A careful and positive examination should be made of all parts of a mill where wood is likely to be in contact with the brick or stone-work of a furnace, whether it be drying-boiler, roasting, assay or retort, and at the same time, of the fuel used, its place of storage and its tendency for powdering, and where ashes are put when taken from the furnace or ash-pit.

These are the serious hazards of the furnaces, and necessarily should receive the careful attention and experienced judgment of the surveyor and the supervising agent, who, it is presumed, inspects all special hazards in any risks accepted by his company.

The lights should receive attention, particularly when the products of petroleum are used. The danger and hazard from the careless use of coal-oil are so well known that it is hardly necessary to more than call attention to them, so that they might not be overlooked during the inspection, which is usually made in the daytime. And here it is proper to state that a personal experience warrants the assertion that a proper inspection and supervision of

## QUARTZ MILL RISKS IN CALIFORNIA AND NEVADA

would have saved the insurance companies not less than 75 per cent. of the amount which they have paid in the last eight years as indemnity for damage by fire to quartz mills.

How far this would affect the profit or loss in insuring quartz mills, and what advantages there may be to offset this loss in money, is a matter for the companies to determine.

Although it has been stated that quartz mills are generally destroyed, or rather that all the wood-work is consumed, if a mill has once fairly got on fire, it is not to be presumed that water facilities are of no value and are a useless expense. On the contrary, it is an important study in the construction of mills to have the most perfect arrangement of water-pipes, hose and other appliances, that the situation and means will allow. Not all in the mill, so that as soon as a fire occurs all access to them is cut off; but arranged without the mill as well, so that water may be used in the shortest possible time. Pumps and cocks should not be placed in some out-of-the-way corner, where they will not only not take up valuable space in the engine or fire-room, but be practically inaccessible in case of sudden need. Let them be placed so that it is no trouble to get at them, and in dry weather wet down around where fuel is used, and where dust from fuel accumulates. The rule of cleanliness is just as applicable to quartz mills as to man, for about a mill, where care is taken to keep the mill clean, it engenders care as to such points as are likely otherwise to be sources of danger from fire.

## THE MORAL HAZARD,

which may include depreciation from age as well as business and profitable operation, is that which is liable to occur during limited periods of time, and necessarily requires a more frequent inspection than perhaps any other class of machinery or manufacturing risk.

Of course this entails an additional expense to the underwriters, which must be borne by such a sum as the rates can carry. Perhaps no kind of machinery, when once erected and in operation, can less afford removal than that of quartz mills, from the fact that it is most always transported by the most expensive method, and generally erected where a large yield is required to make it profitable, and when once the profit ceases it cannot be sold but for a small fraction of its original cost. However well it may be constructed and kept in order, it is comparatively useless except for the particular mine or mines whose ores are to be worked by it.

It would be presumption on my part to say further on this point, for if there is one point in the science of underwriting which is more thoroughly understood and appreciated by insurance companies more than all others, it is the moral hazard.

It has been stated that the insuring of quartz mills on this coast has not been profitable to the insurers. In view of the experience obtained by underwriters at great cost to them, has there not been too much of the "trust to luck" in this portion of fire insurance business? In conclusion, I beg leave to suggest that the sagacious gentlemen who are supposed to be not only business men, but manufacturers, carpenters, machinists, lawyers, as well as thorough students of human nature, whose work never ends and whose patience never tires, and upon whose shoulders the real insurance interests of the country rests, the "specials" devise a plan whereby the experiment may be tried of semi-annual inspection of quartz mill risks, to the end that the information may be obtained before, which now comes after, a fire.

## COAL OIL IN STORES.

A paper on the subject of coal oil in stores, by J. A. Brumsey, of Virginia City, Nevada, and read by Secretary Staples at the Quarterly Meeting of the Underwriters' Association of the Pacific, November 15th, 1881.

VIRGINIA CITY, NEV., November 6, 1881.

*Fire Underwriters' Association of the Pacific:*

GENTLEMEN—The question of coal oil in stores has given me much concern. First, because in my judgment the Board rules are unfair to the retail dealer; second, because Board rules and policy conditions are not in harmony, and

are constantly ignored by the assured; and third, because I am in the very unpleasant predicament of doubt as to the attitude of the companies in case of loss.

There is no ordinance in Virginia City regulating the keeping or storing of coal oil, and the principal grocers buy oil by the car-load, and keep from 20 to 300 cases in their stores.

There are probably a dozen merchants violating the principal conditions of their policies at this time, and few have any written permit to keep oil. Your Board allows 200 gallons, but some policies permit none at all. We cannot compel merchants to store oil outside of fire limits, and they decline to pay the Board extra oil rate (which progresses in an arithmetical ratio), asserting that it is unreasonable. It is true we can decline the risks, but before doing so it is not well to determine the fairness of the rate as adjusted. The special Board rate on a B class oil store in Virginia City is  $3\frac{1}{2}$  per cent. Lucine and the lighter earth oils are retailed there without extra rate. A grocery stock in a similar building is specially rated at 3 per cent. No. 4 rate would be not more than \$1.75.

The grocer gets in a car load of oil, and is taxed ten cents per hundred for 2,600 gallons, or \$2.60 extra, making his rate 5.60, when if he insured as an oil store, under special rating, he would pay  $3\frac{1}{2}$  per cent. Under No. 4, adding 40 per cent., he would pay 3.15.

It is a fact which must be known to all agents, that excessive quantities of oil are kept here, and I am not sure that this knowledge would not work a waiver in case of loss, and would call your attention to a few cases where uncommunicated knowledge of agent was deemed sufficient. *Masters vs. Madison*, New York Supreme Court, 3 Bennett, 398.

If, however, the application be taken by an agent of the company, and he is aware of facts material to the risk, but which are not set forth in the application, the company will be charged with knowledge, and under such circumstances an unintentional concealment or misrepresentation will not make void the policy. *Marshall vs. Columbian Mutual Fire Ins. Co.*, Superior Court, New Hampshire, 3 Bennett, 634.

When premises, insured against loss by fire, have been thoroughly examined by the agent of the insurers, it is conclusive upon the insurers as to whatsoever is apparent. *Michall vs. Mutual Ins. Co.*, Superior Court, Louisiana, 4 Bennett, 29.

The knowledge of an agent of the existence of a material fact not stated by the applicant; held to be the knowledge of the insurance company in a case where there was no fraudulent concealment of the fact. *Campbell vs. Merchants' Mutual Ins. Co.*, New Hampshire, 4 Bennett, 288.

When the agent knew the condition of the building, and allowed the policy to remain uncanceled, it is too late after the loss to allege that the risk was rendered more hazardous. *Fireman's Fund Ins. Co. vs. Congregation R. S.*, Superior Court, Illinois, 5 Law Journal, 489.

Held, that the condition may be waived by the insurer, by express words or by acts done under such circumstances as would impute a fraudulent purpose,

and as will estop him from setting up the condition against the insured. *Held*, that it must be presumed the intention of the parties to make a valid contract, and by issuing the policy with a knowledge of the facts the company is estopped from setting up the condition. *Held*, that the agent was acquainted with the fact. *Van Shaick vs. Niagara Ins. Co.*, Court of Appeals, N. Y., 6 Law Journal, 195.

The agent inspected the premises. *Held*, that the knowledge of the agent was a waiver of the required consent. *Bennett vs. North British & Mercantile Ins. Co.*, Court of Appeals, N. Y., 9 Law Journal, 585.

Proof that the agent of the insurer had knowledge of the true state and condition of the premises, is a complete answer to alleged false and fraudulent representation.

See also, *Flanders*, pages 210, 220 and 221.

In the foregoing cases the agent knew of the circumstances in conflict with the conditions of the policies, and such knowledge was not communicated by the assured. If the assured had called the attention of the agent to the circumstances, the cases would have been stronger against the companies.

Many of the policies here are written to cover "groceries and other merchandise," and "merchandise such as is usually kept for sale in a grocery store." Do not such forms cover all merchandise usually kept in the locality?

Questions of doubt between the printed and written portions of the policy give way to the latter.

It cannot be a question that coal oil is merchandise usual to this locality, nor that the agents all know that their grocery policy-holders keep more of that merchandise than the printed policy permits, "*and it must be presumed the intention of the parties to make a valid contract.*"

The courts liberally construe the presumed authority of agents, and juries surpass in liberality the instructions of the courts.

I am in favor of honest, open-handed business, free from subterfuge and deception, and believe that the companies, as well as the agents, should know the condition of the coal oil question here.

I imagine it is the same in many places on the Pacific coast. I do not believe the rate fairly and equitably adjusted, respecting the interests of retail dealers, but whether fair or not, it is shaped in uncertainty, and may produce unfortunate complications, which every honest underwriter earnestly desires to avoid.

I am in favor of adjusting the insurance so that the loss will adjust itself.

Yours, very truly,

J. A. BRUMSEY.

## LIST OF OFFICERS FOR 1882.

GEORGE F. GRANT.....President.  
E. W. CARPENTER.....Vice-President.  
J. W. STAPLES.....Secretary and Treasurer.

*Executive Committee.*

T. E. POPE,                      A. D. SMITH,                      T. A. MITCHELL.

### Standing Committees.

LOCAL AGENTS.

T. E. Pope, S. E. Strickland, L. B. Edwards.

### FORMS OF POLICIES.

W. L. Chalmers, Geo. W. Dornin, C. P. Farnfield.

## LOSSES AND ADJUSTMENTS.

Z. P. Clark, H. A. Craig, Louis Mel.

## LEGISLATION AND TAXATION.

T. A. Mitchell, Jno. C. Staples, W. P. Thomas.

FIRE DEPARTMENT AND WATER SUPPLY.

Wm. Sexton, C. M. Nichols, Ed. Farnsworth.

## STATISTICS.

O. H. Cole,                      W. J. Dutton,                      J. D. Bailey.

## LIBRARY.

Geo. W. Spencer,                      S. O. Hunt,                      J. W. Staples.

CALIFORNIA KNAPSACK.

C. Mason Kinne, Editor.

## LIST OF MEMBERS.

---

- L. L. Bromwell, Vice-President, California Insurance Company.  
 Geo. F. Grant, Special Agent and Adjuster, North British & Mercantile & German-American Insurance Companies.  
 Z. P. Clark, General Agent, Commercial Union Assurance Co.  
 Wm. Sexton, Assistant Manager, Lion Fire Insurance Company.  
 A. D. Smith, General Agent, Amazon, Northwestern and Manhattan Fire Insurance Companies.  
 Geo. W. Spencer, Manager, London & Lancashire, Manchester, Continental and Niagara Insurance Companies.  
 J. W. Staples, Special Agent and Adjuster, London and Lancashire, Manchester, Continental and Niagara Insurance Companies.  
 E. Brown, General Agent, Phenix, Star and other Insurance Companies.  
 A. J. Bryant, President, State Investment and Insurance Company.  
 J. R. Garniss, Fire Ins. Adjuster and General Agent, Fidelity & Casualty Co.  
 J. D. Bailey, Secretary, Union Insurance Company.  
 A. R. Gunnison, Special Agent and Adjuster, Commercial Insurance Company.  
 Robert Dickson, Manager, Imperial, London, Northern and Queen Insurance Companies.  
 Geo. D. Dornin, Manager, Lion Fire Insurance Company.  
 \*Henry Smith, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.  
 H. W. Snow, General Agent, American Central, Metropole and Reassurances Generales Insurance Companies.  
 W. J. Landers, General Agent, Guardian Assurance Company.  
 E. E. Potter, Secretary and Treasurer, Sun Ins. Co. of Cal., and General Agent, Boston Underwriters and Williamsburg City Ins. Cos.  
 J. F. Houghton, President, Home Mutual Insurance Company.  
 W. J. Callingham, General Agent, South British and National and City of London Insurance Companies.  
 †D. L. Kirby, Associate Manager, Royal Canadian Insurance Company.  
 †W. W. Dudley, Illinois State Agent, German-American Insurance Company.  
 Wm. MacDonald, General Agent, Connecticut and Scottish Union & National Insurance Companies.  
 C. T. Hopkins, President, California Insurance Company.  
 W. L. Chalmers, Special Agent and Adjuster, Hutchinson & Mann's Agency.  
 J. R. Hamilton, General Agent, Commercial Union Assurance Company.  
 T. C. Grant, General Agent, North British & Mercantile and German-American Insurance Companies.

- Chas. H. Cushing, Secretary, State Investment and Insurance Company.  
 \*W. J. Stoddard, Agent, New York Underwriters' Agency, etc.  
 A. P. Flint, Manager, Hartford Fire Insurance Company.  
 H. R. Mann, Agent, Hutchinson & Mann's Agency.  
 Julius Jacobs, Agent, Jacobs & Easton Agency.  
 Geo. Easton, Agent, Jacobs & Easton Agency.  
 †Jas. Kip, formerly of the London Assurance Company.  
 Samuel D. Mayer, City Agent, Commercial Union Assurance Company.  
 Dave Rorick, Perry, Jefferson Co., Kansas.  
 C. P. Ferry, Inspector of Agencies and Adjuster, Portland, Oregon.  
 †E. E. Ryan, Agency, 110 La Salle St., Chicago, Ill.  
 Oliver Hawes, General Agent, Connecticut Fire and Scottish Union and National Insurance Companies.  
 S. O. Hunt, Agent, Jonathan Hunt, Son & Co.'s Agency.  
 D. J. Staples, President, Fireman's Fund Insurance Company.  
 Wm. Frank, General Agent, Hamburg-Magdeburg Fire and City Agent Lion Fire Insurance Companies.  
 \*Henry Balzer, Agent, Svea, North German, and Helvetia Insurance Companies.  
 L. Beck, City Agent, New Zealand Insurance Company.  
 C. M. Nichols, Surveyor of the Board of Fire Underwriters.  
 O. H. Cole, Adjuster.  
 T. A. Mitchell, Agent, Jonathan Hunt, Son & Co.'s Agency.  
 F. F. Stone, Agent, Insurance Companies.  
 C. Mason Kinne, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.  
 J. C. Jennings, General Agent, Manufacturers' and Lorillard Insurance Companies.  
 Geo. E. Butler, General Agent, S. F. Agency Phoenix Assurance Company of London, British America, and Western Assurance Companies of Canada.  
 Chas. D. Haven, Resident Secretary Liverpool & London & Globe Insurance Company.  
 E. W. Carpenter, Assistant Secretary Fireman's Fund Insurance Company.  
 †W. N. Olmsted, 62 Cedar St., Room 10, New York City.  
 Geo. W. Dornin, with Lion Fire Insurance Company.  
 W. P. Thomas, Special Agent and Adjuster, South British and National Insurance and City of London Companies.  
 Louis Mel, Special Agent and Adjuster, Royal, Norwich, Union, and Lancashire Insurance Companies.  
 J. P. Cox, with Hutchinson & Mann's Agency.  
 †J. G. Edwards, Editor *Coast Review*, 320 Sansome St., San Francisco.  
 †A. Hill Jack, General Manager, National Fire & Marine Insurance Company of New Zealand.  
 R. H. Naunton, Manager, Scottish Imperial Ins. Co.  
 Jno. C. Staples, Special Agent and Adjuster, Firemans Fund Ins. Co.

- T. E. Pope, Special Agent and Adjuster, Ætna Insurance Company.  
 S. E. Strickland, Special Agent and Adjuster, Butler & Haldan Agency.  
 S. B. Rigger, Special Agent and Adjuster, California Insurance Company.  
 Alfred Stillman, General Agent, Manufacturers and Lorillard Fire Insurance Companies, New York.  
 W. G. Elliott, General Agent, Commercial Fire, United Fireman's and Allemania Insurance Companies.  
 Rudolph Herrold, Surveyor, Hamburg-Bremen and other Insurance Companies.  
 Thos. W. Fenn, Special Agent and Adjuster, Jacobs & Easton Agency.  
 Chas. P. Farnfield, General Agent, Union Ins. Co., San Francisco.  
 L. B. Edwards, General Agent, Oakland Home Ins. Co.  
 Homer A. Craig, General Agent, Brown, Craig & Co.  
 William J. Dutton, Secretary, Firemans Fund Ins. Co.  
 Edward Farnsworth, General Agent, Farnsworth & Son.

\*Deceased.

†Honorary Member.







PROCEEDINGS  
OF THE  
SEVENTH ANNUAL MEETING  
OF THE  
FIRE UNDERWRITERS'  
ASSOCIATION OF THE PACIFIC.



SAN FRANCISCO, FEBRUARY 20 AND 21, 1883.

H. S. CROCKER & Co.,  
SAN FRANCISCO.

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# SEVENTH ANNUAL MEETING

OF THE

## FIRE UNDERWRITERS' ASSOCIATION

OF THE PACIFIC.

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### LIST OF OFFICERS FOR 1882-3.

GEORGE F. GRANT,	-	-	-	-	-	PRESIDENT.
E. W. CARPENTER,	-	-	-	-	-	VICE-PRESIDENT.
J. W. STAPLES,	-	-	-	-	-	SECRETARY AND TREASURER.

#### EXECUTIVE COMMITTEE.

T. E. POPE,	A. D. SMITH,	T. A. MITCHELL.
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#### STANDING COMMITTEES.

##### Local Agents.

T. E. POPE,	S. E. STRICKLAND,	L. B. EDWARDS.
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##### Forms of Policies.

W. L. CHALMERS,	GEO. W. DORNIN,	C. P. FARNFIELD.
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##### Losses and Adjustments.

Z. P. CLARK,	H. A. CRAIG,	LOUIS MEL.
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##### Legislation and Taxation.

T. A. MITCHELL,	JNO. C. STAPLES,	W. P. THOMAS.
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##### Fire Department and Water Supply.

WM. SEXTON,	C. M. NICHOLS,	ED. FARNSWORTH.
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##### Statistics.

O. H. COLE,	W. J. DUTTON,	J. D. BAILEY.
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##### Library.

GEO. W. SPENCER,	S. O. HUNT,	J. W. STAPLES.
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##### California Knapsack.

C. MASON KINNE, EDITOR.

#### SPECIAL COMMITTEE.

##### Apportionment of Loss Under Non-concurrent Policies.

E. W. CARPENTER,	C. MASON KINNE,	J. R. GARNISS,
WM. SEXTON,		O. H. COLE.

## PROGRAMME.

ANNUAL REPORT,	-	-	-	-	-	J. W. STAPLES.
ANNUAL ADDRESS,	-	-	-	-	-	GEO. F. GRANT.
LOCAL AGENTS,	-	-	-	-	-	T. E. POPE.
FORMS OF POLICIES,	-	-	-	-	-	W. L. CHALMERS.
LOSSES AND ADJUSTMENTS,	-	-	-	-	-	Z. P. CLARK.
LEGISLATION AND TAXATION,	-	-	-	-	-	T. A. MITCHELL.
CO-OPERATION,	-	-	-	-	-	C. C. HINE, EDITOR "INS. MONITOR."
"CALIFORNIA KNAPSACK,"	-	-	-	-	-	C. MASON KINNE, EDITOR.
FIRE DEPARTMENT AND WATER SUPPLY,	-	-	-	-	-	WM. SEXTON.
THE PERIL OF USING BENZINE IN CANNING ESTABLISHMENTS,	-	-	-	-	-	W. J. LANDERS.
STATISTICS,	-	-	-	-	-	O. H. COLE.
LIBRARY,	-	-	-	-	-	GEO. W. SPENCER.
SUGGESTIONS UPON THE INS. CONTRACT,	-	-	-	-	-	T. C. VAN NESS, ATTORNEY AT LAW.
UNDERWRITING, FROM A LOCAL AGENT'S POINT OF VIEW,	-	-	-	-	-	W. J. BRODRICK, LOS ANGELES.
SCIENCE AND UNDERWRITING, OR MICROSCOPIC HAZARDS,	-	-	-	-	-	C. MASON KINNE.
MACHINERY,	-	-	-	-	-	E. W. CARPENTER.
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# PROCEEDINGS

OF THE

*Seventh Annual Meeting of The Fire Underwriters' Association  
of the Pacific, held at their rooms, 216 Sansome Street,  
San Francisco, Cal., February 20th and 21st, 1883.*

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## OPENING SESSION.

SAN FRANCISCO, February 20, 1883.

The seventh annual meeting of the Fire Underwriters' Association of the Pacific was called to order at 10:30 A. M.

President Geo. F. Grant, special agent of the North British and Mercantile and the German-American Insurance Companies, in the Chair, and J. W. Staples, special agent for Messrs. Balfour, Guthrie & Co's Agencies, Secretary.

The roll called by the Secretary shows the following-named members present:—

L. L. Bromwell,	W. L. Chalmers,	J. G. Edwards,
G. F. Grant,	Tom C. Grant,	R. H. Naunton,
Wm. Sexton,	C. H. Cushing,	T. E. Pope,
A. D. Smith,	A. P. Flint,	W. G. Elliott,
Geo. W. Spencer,	Julius Jacobs,	R. Herold,
J. W. Staples,	Oliver Hawes,	L. B. Edwards,
E. Brown,	S. O. Hunt,	H. A. Craig,
J. D. Bailey,	D. J. Staples,	W. J. Dutton,
Geo. D. Dornin,	Wm. Frank,	Ed. Farnsworth,
H. W. Snow,	C. M. Nichols,	H. K. Belden,
W. J. Landers,	T. A. Mitchell,	B. Faymonville,
E. E. Potter,	C. Mason Kinne,	S. D. Ives,
J. F. Houghton,	G. E. Butler,	Fred T. Hoyt,
W. J. Callingham,	C. D. Haven,	F. N. Berry,
W. Macdonald,	E. W. Carpenter,	D. B. Wilson,
C. T. Hopkins,	Geo. W. Dornin,	A. C. Donnell.

On motion, the reading of the minutes of previous meeting was dispensed with.

The following names were submitted for membership, and elected, during the session:—

George F. Ashton, Special Agent.	B. B. Wilson, Special Agent.
Fulton M. Berry, “ “	E. A. Halsey, “ “
A. R. Gurry, “ “	J. C. Ragsdale, “ “
Otho N. Hall, “ “	C. B. McHenry, “ “

The Secretary read a letter from W. B. Cornell, Esq., President of the Fire Underwriters' Association of the Northwest, as follows:—

CHICAGO, ILL., December 19, 1882.

*Geo. F. Grant, President, San Francisco, Cal.,*

DEAR SIR:—Your kind favor of the 12th inst. duly received. Touching a paper for that February meeting, I do not know about it, and can only say that it will depend a great deal on how matters run in January. If January is as hot as it is in December, about the only paper I would be able to prepare would be to *fill out a loss report* and send to the Association. The amount of loss would be the absence of the value, if any there would be, to my paper. I will help you if I can,—rest assured of that. With kind regards, I remain yours truly,

W. B. CORNELL.

This was followed by letters of regret from members Clark, Thomas, Cole and Gunnison.

Secretary J. W. Staples then read the following annual report:—

### SECRETARY'S REPORT.

MR. PRESIDENT AND GENTLEMEN OF THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC:—

On the 23d day of February, 1876, seven years ago, some fourteen adjusters assembled in the old Board rooms over the Union Insurance Company's office, for the purpose of organizing "THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC," our worthy President forming one of the number; and in the list we find the familiar names of Spencer, Sexton, Bromwell, A. D. Smith, Clark and Lowe; Magill, Bigelow, Hart, Doolan, Dick and Barnes, who since have ceased to membership.

The foregoing list was soon swelled by our friends Brown, Garniss, Macdonald, Callingham, Landers, Dickson, Gunnison, Bryant, Potter, Bailey, Snow, Dornin, Sr., Houghton, and last, but not least, "Harry Smith." All except Harry Smith belonged to the Adjusters' Association at Virginia City the fall before.

Those of you who formed a part of that assemblage on the nights and days of October and November, 1875, will remember the stirring, active times that brought so many together.

The variety of claimants, — those whose claims were fair at a glance; those whose claims had been manufactured by the furniture men; those who had lost all and to whom the insurance money was a God-send, and others to whom it was a bagatelle; the many incidents attendant upon the settlement of so many losses; the wading in snow and slush to our quarters on dark nights, and many other features will, to many, never be forgotten.

Our ranks have steadily increased until we can show a total of ninety-one as having joined the Association. The casualties have been, — three deceased, nine resigned, and nine dropped from the roll, leaving our present membership seventy active members, with seven honorary members.

The membership being classified shows: Thirty-three General Agents and Managers, seventeen Special Agents and Adjusters, eight City Agents, seven Secretaries, four Presidents, and one Surveyor of the Board.

The first President of the Association was Mr. B. F. Lowe (now in New York), with Mr. H. H. Bigelow as Vice-President, and myself as Secretary.

The Association, when formed, was to have one regular meeting each month, and was conducted on that basis for five years. In the first, second and third years (1876, 1877 and 1878) failing only once in each year to have the required number of meetings, and on each occasion was the result of absence of so many of the members that no quorum was obtained.

On the fourth year three meetings were missed, and on the fifth year six meetings — in nearly every case for the reason above noted. It was then thought best to try the meetings once in three months; and on the 18th of May the Constitution was amended to read: "The annual meeting shall be held on the third Tuesday in February of each year. The regular meetings shall be held on the third Tuesdays in May, August and November of each year." This plan of holding meetings quarterly has been in operation two years. During the year 1881 four meetings were held, and during 1882 one was missed. The Secretary was away from home, and, having left no word with the Executive Committee, the meeting was not called.

The result of the two systems is before you, and each seem to have their redeeming qualities. The monthly system of meetings has the feature of bringing together the members more frequently; and many questions would be submitted for discussion, the freshness of which has passed before the quarterly meeting arrives. Again, the life of the Special is one of activity — seldom home for many days at a time — and with the meetings monthly the chances are more favorable for being home on the occasion of some of the meetings during the year. I am in favor of the meetings monthly, and would like to see the Constitution amended to conform thereto.

A very interesting portion of the Association's 'proceedings in days gone by' was the discussion of "*some topic connected with the fire insurance business*," at a regular meeting. This subject was introduced by Mr. Hopkins, who was the President of the Association at the meeting held May 20th, 1879, and was adopted, and was productive of good while it lasted. The subjects were treated well by the essayists, and during the discussion following many points were developed which, if they could have been taken down by a short-hand reporter, would have formed valuable stores for reference. The presentation of a subject by some essayist was finally abandoned, by reason of the member failing to

respond, and the subject has been a dead letter on our books until the present. Could not this plan or one embracing the main features be revived, so that a greater interest might be felt in our meetings.

The Library and other interesting subjects will be doubtless fully presented by the several committees having the subjects in keeping; and I will not trench upon their preserves.

With this meeting closes my connection as Secretary of the Association; and I desire to thank you, one and all, for your uniform courtesy to me during the many years which I have been associated with you. I shall doubtless miss the work incident to the position, but gladly turn it over to my successor, only hoping that he will labor as hard as I have done to advance the interests of the Association.

I am, gentlemen,

Yours very truly,

SAN FRANCISCO, January 30th, 1883.

J. W. STAPLES, *Secretary*.

The President: Gentlemen, you have heard the Secretary's report; there being no objection it stands approved as read. Other papers will be read in the order of the programme. It is hoped when points of interest are touched discussion will follow.

The Vice-President, Mr. E. W. Carpenter, takes the chair; and the President reads his Annual Address:—

### ADDRESS OF PRESIDENT GEORGE F. GRANT.

GENTLEMEN OF THE UNDERWRITERS' ASSOCIATION OF THE PACIFIC:—In response to the demand of this Association upon its presiding officer, I now address you.

Even as "there is nothing new under the sun," so there is nothing new to offer in an annual address.

Each year some one of us puts his stamp upon an arrangement of facts and figures, furnishing for you such a recapitulation as ingenuity and originality can devise.

For my own attempt I ask your kind indulgence,—my paper seeks to portray phases incident to the business of fire underwriting, quite as real, if less palatable, than those presented by my predecessors.

Having invited chairmen of committees, and others, to write on such subjects as local agents, forms of policy, losses, adjustments, over-insurance, the legal aspect of the contract, statistics, fire department, our library, and other topics, it would not be generous to forestall these gentlemen by producing an array of good points selected from their themes.

I beg you to remember that this address is for your entertainment; and if you are told that ice is warm, or snow is black, do not accept the theory without investigation.

Death, ever busy in the ranks of men, has passed us by these last twelve months—our roll call shows all present or accounted for.

Interest in the work of the Association has steadily increased. We are now firmly established and self-sustaining, which means that harmony and good

practice has been promoted. Members have the courage of their convictions. Free discussion without personality marks our meetings and follows us in our daily business relations. The year 1882 was a disastrous one on this Coast—losses occurred continually from January to December. The tendency of rates meantime has been downward,—irresistibly downward. This is partly owing to the action of certain underwriters from the “East,” who appear to regard us as objects, less of interest than of curiosity, and who do not hesitate to cheapen our market. These good men, eager with greed of gain, have conspired to break down and tear open our best laid plans for a friendly rivalry in business among ourselves.

It is doubtful if ever in the history of Pacific Coast underwriting such strenuous efforts have been made by individuals—each according to his idea of business—to increase premium receipts, as during the last twelve months.

The business of conducting fire insurance is a perpetual grind: it is WORK, pure and simple; it is mental and physical toil, without a halting place or a breathing spell. It is a treadmill upon which one may walk a life-time without getting off. There is no end—but death! It is a business which deals with total destruction. It brings happiness to no honest person, and affords relief only in the presence of disaster. As a speculation, it is as uncertain as life; and the more profitable to the speculating shareholder, the less likely the company to survive a terrible conflagration.

In spite of this dismal picture, it is a business which commands the respect and attention of the mercantile world; without it the system of credit in trade would be well nigh impossible. Cancel every policy in force to-day, and cease underwriting, and a panic would result the length and breadth of the land.

The insurance business contains some of the brightest minds, the highest order of cultivation, the best business capacity possible.

It is a business depending for its success upon system. Yet there are as many systems as there are *thinking* managers. In times of peace, when fires are few and losses light, working plans are made and followed wholly inadequate to meet the season of inevitable disaster. Rigid “blue laws,” such as followed after the destruction of Chicago and Boston, came to grief when the scare was over. Between these two extremes there must be a safe profitable medium, but who shall decide when it is reached? Who will accept the decision when rendered? Underwriters are as alike in their views on common-sense propositions as drops of water in a drinking glass; and carrying the simile farther,—when scattered, each drop will find its level and roll off by itself; there is no force of attraction in the greater bulk to recall the wandering drop.

Just why it is impossible for insurance men to agree may be a question for scientific investigation. I groan, in spirit, when I think of it. Nevertheless, on this Coast, with pluck and energy, underwriters have for years maintained rules such as other communities have been unable to follow. In an address of this kind the word “underwriter” occurs continually. And what is an underwriter? Custom has made this word so familiar to the ear that we divine its meaning without attempt at analysis, as the school-boy knows that two and two make four from having known it always. Underwriters were so-called when Christopher Columbus sailed to discover the new world; and it is a matter of regret, if not of humiliation, to find in Webster’s Unabridged, published no later than the year

1882, the same definition employed as used by those ancient mariners, viz.: "One who insures; an insurer; so-called because he underwrites his name to the conditions of the policy."

In 1726, Nathan Bailey of London published his dictionary, in which the first attempt was made to give a complete collection of the words of the English language—in this attempt underwriters were ignored. The word has been in use from a period when individuals issued their own policies, down through the age of mutual insurance to the corporation plan where we find it to-day in greater favor than ever. Many worthy and learned people, themselves insurers, say an underwriter is one conceived in wisdom and born to fill the office, who, if not perverted from his natural tastes, will lead in his profession. The same has been said of poets, and can truthfully be said of butchers, bakers and candle-stick makers. On the other hand, how familiar the boast that our business is no longer a harbor of refuge for broken-down bankers and merchants—a charge, by indirection, that such business people once used insurance offices as a place of last resort. If so, why not? If "broken-down" means lack of capital, it would seem that just such people made fortunes and built up the great West, when towns like Chicago and St. Louis were young. If penniless people, with business experience, once had charge of insurance offices, be sure they obtained the last dollar of profit from gross receipts. Business experience is of more value to an underwriter than volumes of undeveloped theory. If one is "broken-down" in honor, poor in respect, lost to friendship, he has no champion here; wrecks of companies along this Coast may have known his method.

An ideal underwriter is a man of vigorous intellect, robust health, and business habits, who knows all about insurance; if, besides, he be a gentleman, you there have an underwriter who will bring dignity and grace to the business, and force men to respect the calling. He will work his theories into his daily practice; he will mark out a *system* so clear, so comprehensive, that the office force will be educated in his tactics unconsciously. Four years of study under such a man, followed by four years of practical experience in the field, will produce an underwriter who can win distinction and become a leader in his community. All managers are not good underwriters, any more than all lawyers are good advocates. The corporation of the present *hires its brains*; and it matters nothing to a board of directors to enquire into the definition of the term, provided their affairs are successfully managed. Even an underwriter respects skillful management in a business rival, though that rival be indifferent to forms or unable to criticise adjustments.

Special agents are not always underwriters, though bowed with years and rich in experience; and, if he be an underwriter, he may fall short of the requirements of a manager. Young specials are often placed in a position where it is necessary for them to *assume* to be underwriters; fine points, requiring immediate decision, come before them; circumstances arise where, for the time, they are by their acts the company itself; put to their wit's end; forced to think quickly; miles from home; mail and telegraph alike powerless to aid them; they do act intelligently and well, binding the company thereby.

Returning to the office, full of enthusiasm,—perhaps tinctured with vain glory,—expecting approbation, not to say promotion, they are met with what seems to them cool indifference; "they have accomplished nothing more than the occasion

demanded." Who can tell the torture of this reaction to a sensitive mind? If you send a boy to do a man's work, and he does it well, give the boy a man's praise.

To the young special I would say, be of good cheer! nothing is impossible to him who is in earnest. Most of all, you need control over yourself! What stage presence is to an actor, self-control is to the special agent. Bury egotism out of sight as quickly as may be; drop the personal pronoun; learn something from every man you meet; study character night and day — you cannot learn varied phases of human nature too quickly for your own good. One great advantage age has over youth is the ability to detect spurious representation — you can steal a march on age by study.

If you are bored with cheap talk, or abused by insolence; if you are ignored by older men, or feel insulted by studied neglect,— control yourself; regard it in the light of a lesson, and from it learn how to avoid similar discomforts. The knowledge thus gained will enable you to repel obsequious attention and detect fraud. Above all, and through all, preserve your self-respect, which should be essential to an underwriter.

Adjusters seldom claim to be underwriters! Questions which stimulate the brain and try the strongest nerve of these indispensable workers are not such as bring the mind into channels leading either to the management of affairs or the securing of business. Adjusting is a distinct study of legal and equitable effects; and yet some adjusters are good specials, as well as competent managers.

Here is where a *system* asserts itself. Trained youth pursue a course of study which leads from a petty clerkship to stages embracing solicitor, local agent, special agent, adjuster — even to the manager's chair. The fittest survive,— the weak go to the wall. The ladder is hard to climb; without courage and application no one can hope to reach the topmost round. Once there, do not neglect the golden opportunity — grasp the prize! The individual furnishes the brain, the corporation supplies the coin. Being so, guard well your health and strength, my friends — if the brain gives out you are lost.

Pixley truly says: "Money has neither conscience, patriotism nor principle: it has one single object, and that is self-protection." You are valuable to your employers only so long as you retain your "grip." There is no sentiment in the insurance business.

Having considered an underwriter, let us observe his duties. Underwriting has been called by several titles,—by some, an art; by some, a science; by some, a simple business proposition. It is an art and a science in the same sense as arithmetic; namely, the science of numbers and the art of computing them — the art of computing average; the art of making schedule sheets; the art of showing the expected life of each class of risk, and the science of naming a rate consistent with the foregoing, which will produce a profit.

The principle of all business is gain. In this business, over and above the expenses for time, material and brain, there must be a percentage of profit on capital invested, and a reserve for use in time of unusual disaster.

In other kinds of business, there are combinations which have for their purpose the enriching of some at the expense of others who are "short" of a certain commodity. This species of gambling is in no wise to be classed with combinations called "Boards" in insurance parlance. Here the rules are designed to

be measures of protection from just such features as "shorts;" they place business on a living basis, and stipulate only, that members shall pursue a uniform method of securing and retaining it. With them the price of a policy is based on long years of experience, regulated by all kinds of circumstances. The argument in favor of a rate, and the rule by which it is governed, is no secret: it is the privilege of the assured to know all about it.

As an Association we know nothing of Boards! We are simply in the insurance business; bound by a common tie,—good fellowship. We know that organized control over the actions of an insurance man does not necessarily create him an underwriter.

The time may come to this coast (as it has come to the rest of the United States) when there shall be nothing but wear and tear, friction and bitterness—the rates that now know us shall know us no more forever, and we shall sigh over wasted years of earnest toil. Nor is it alone a matter of rates. Retrenchment is expense; reduction of excessive commissions; small savings in each department will produce a surprising difference in an annual balance-sheet. New companies are coming all the time to seek for business and share receipts. As well try to fasten the "Golden Gate" with lock and key, as to put obstructions in the way of these companies. To compete by throwing aside, one by one, every business safeguard, is the method of childhood or old age.

It is human nature to buy in the cheapest market: it is a business instinct. To the unthinking, the cheapest company is the best; and while cheap companies are here, they will receive their share of patronage. The question is not how to remove them, but how to unite with them on some equitable plan. East of the "Rockies" this question has been met by putting all companies down to the level of the cheapest.

Indemnity cannot be sold below cost! Hundreds of companies have surrendered their charters, and hundreds will follow before this pregnant truth is realized. I have faith in the native sense of the underwriters of the Pacific to believe they will set an example of united effort which will arrest the attention of insurance men everywhere. In order to emphasize a point which I wish to make, the following table is introduced, showing the number of companies doing business in the State of California, the premiums received, the amount written, and the assessment value of property for the ten years from 1872 to 1881, inclusive:

Year.	No. of Co's.	Premiums.	Amount Written.	Assessed Value of Improvements on Real Estate and Personal Property, Except Money.
1872	38	\$2,388,542 93	\$200,178,417 00	\$261,478,444
1873	50	2,926,631 95	184,545,576 00	201,758,153
1874	68	3,139,679 60	197,432,160 43	287,014,583
1875	74	3,493,381 39	221,653,671 98	282,414,617
1876	85	3,711,618 08	237,013,036 73	230,610,865
1877	89	3,933,920 62	256,893,278 42	228,494,702
1878	91	3,539,522 22	238,639,040 93	220,960,351
1879	99	3,433,004 15	228,964,659 84	208,542,591
1880	98	3,620,267 09	252,179,530 40	261,192,929
1881	106	3,812,436 49	261,342,912 78	261,394,019

The item of assessed value includes only improvements on real estate and personal property, except money. Outside of the city of San Francisco, these figures can fairly be called *insurable value*, because assessments are consistent in their methods. This is demonstrated in the table by the years 1874-5, when the experiment was tried of assessing property at its full cash value. I am indebted to the State Comptroller for these figures, and to the Insurance Commissioner for other figures.

In 1872, thirty-eight companies wrote \$200,000,000 on a valuation of \$261,000,000. This was after the Chicago disaster, when all classes were seeking indemnity. In 1873, with an increase of 12 companies; and in 1874, with a further addition of 18 companies, the assured were again luke-warm and the companies careless. In 1876, the fight was active: 85 companies wrote \$237,000,000 on a valuation of \$230,500,000. From this time, and including 1879, values declined. I need not recall the dark days of California. In the same time, companies increased to 99, and succeeded in writing from \$18,000,000 to \$20,000,000 more than the assessment figures.

In 1881, 106 companies wrote \$261,342,912, on a valuation of \$261,394,019, putting forth all their force in town and country to hold and improve business. Thus, with 68 more companies at work, the amount written in 1881 was but \$61,164,495.78 more than in 1872 (call it 1-15 more), while the insurable value, after ten years' fluctuation, was about the same; which seems to indicate that, until the State itself improves, no better showing can be made by companies, so far as volume of business is concerned.

It would not be fair to average the amount written in proportion to the number of companies, any more than it would be fair to divide the wealth of the State by the number of inhabitants.

There is material in this table for a long article. I will not tax your patience further, but, as an interesting point, call your attention to the fact that the average rate in 1881 is twenty-three per cent. higher than the average rate of 1872. This much is taught by this table,—if, during a time of business depression, waning population and ebb-tide generally, offices have been able to surmount the obstacles of competing companies and show a profit on each annual balance-sheet, it is a poor business scheme to meet advancing prosperity with all methods abandoned, all rules suspended.

It is unfortunate that at any stated time a majority of our field men are liable to be out of town. We have tried monthly meetings, which were slimly attended; we have tried quarterly meetings with no better result, and I believe semi-annual meetings would not improve things. I therefore recommend a return to the monthly meeting, trusting to the elements to favor the plan. I also recommend to my successor the plan of calling upon the members in turn to produce a paper or essay at each meeting. This plan was suggested by President Hopkins, and for some time worked with fair success. As an educator, both in writing and in the wholesome criticism called forth, it is unequalled.

I would earnestly call the attention of special agents to the evil of rebating commissions as practiced by the local agent. United and persistent effort will check these rebates in a remarkably short time. I know of cases where individual effort has stopped it. It is better to encourage an agent to write business at

low rates than to wink at his rebates. It is an injury to the whole business, and no company gains by it.

I believe the earthenware chimney to be an inanimate incendiary ; between expansion and contraction they are liable to crack open just where they come through the roof. I would ask those who meet with such cases to report them to the Secretary.

I cannot close without a word of thanks to the donors of our library fund. Every office in San Francisco contributed generously. The Library Committee have expended money judiciously ; and I trust the same gentlemen may be allowed to complete the work so intelligently commenced.

We are indebted to Mr. C. C. Hine, of the *Insurance Monitor*, for a paper to be read at this meeting ; also, to Mr. W. J. Broderick, of Los Angeles, and to Mr. T. C. Van Ness, attorney, of this city. To the *COAST REVIEW* this Association is under many obligations.

In conclusion, this Association, founded in 1876, on the broadest principles of united effort possible to any business, has so far accomplished the ends it aimed at that fears have been entertained lest it fall sick of mutual admiration, and die of inaction. Such fears are groundless ! There is to combat them, youth, health, originality and literary ability of no mean order.

Here, in the Association of the Pacific, is found a restful sense of something more than dollars in the business — something less than jealousy. All respond cheerfully to the call, and produce such papers and essays as time and duties permit. When it is remembered that for the most part these are “maiden efforts,” a clear horizon of possibility seems to open before us. I can wish nothing fairer to the incoming administration than the kind and willing assistance rendered by associates during 1882.

The Vice-President: Gentlemen, you have heard the annual address of the President, and I think I speak the Association when I say that it is one of the best that has ever been read before this body since its organization; and I have no doubt that before this session closes the President will receive a vote of thanks, as he deserves, not only for his address, but for his active efforts in behalf of the Association.

Mr. C. Mason Kinne: I move that he get the vote of thanks right now. I move, sir, that our retiring President be tendered the hearty thanks of the Association for his able and interesting paper.

The motion being put by the Vice-President, was adopted.

Mr. Kinne: I now move that the thanks of the Association be tendered to our retiring President for the able manner in which he has performed the duties as President of the Association for the last year.

Motion adopted.

The President (resuming the Chair): Gentlemen, I have the characteristic modesty of an insurance man, and can only thank you for your kind action. I have no wish to repress your enthusiasm; but it seems to me unnecessary that one should be tendered thanks for what he was elected to do.

Mr. T. E. Pope read his paper on "Local Agents."

### LOCAL AGENTS.

MR. PRESIDENT AND GENTLEMEN:—What agents are and should be are not always synonymous. Insurance forms and agency duties are better understood when discussed and criticised: hence we offer a few suggestions, feeling that insurance work should be thorough, based on what study and experience show to be necessary to company, agent and client.

Applicants for insurance frequently fail to note essential conditions upon which the value of the contract depends; and it is a fair assumption that the agent who elects to act as confidential adviser of his customer should understand contracts entrusted to his making—fortunately many do—others carelessly issue policies which in case of loss involve the company in objectionable litigation or cause a forfeiture to the assured of a protection which, though not expressed, may have been desired. If insurance is granted, the wishes of the assured should be plainly expressed in full; the policy in its details should have the same care as is given to a mortgage or deed. Insurance means indemnity for such loss as is represented by the cash marketable value of property at the time of fire, which may have been damaged or destroyed; and the whims of the assured, who places a fancy value on an article priceless to him as a relic but valueless to others, cannot be allowed. This primary idea of insurance should be noted. Property fluctuates, and merchandise and buildings either appreciate or lessen in values. If values advance after insurance is granted, and a loss occurs, the assured should clearly feel he is entitled to a settlement under the policy on a basis of such increased values. In the same spirit of fairness, if property depreciates during the life of insurance, such depreciated values must form a basis for an adjustment of loss. The tendency of the present agency system is to overcrowd various fields of insurance work; and an eagerness for increased receipts often causes the appointment of men who are not advised as to the meaning and intent of insurance; men whose ideas of the business end with soliciting risks; men with a narrow conception of what companies have a right to expect of them, who are satisfied to be the careless pupils of careless specials: if services are to be of value to the company they must be rendered intelligently, making due allowance for the complaint that every other man in the community is an insurance agent. We assume that there are too many agents, and as a result too few receive an income which induces proper study; nor do they receive such advice from managers or specials as is demanded, the inference seeming to be that they should intuitively know what years of experience has seemed necessary to develop in others. The idea that rates are too high seems to be a common error accepted as truth by such agents as are pleased to admit it, either because the applicant says so, or because a rival agent offers a reduction. The tendency of shrinkage in

values induces a demand for reduced rates: hence the importance of a correct understanding of why, as a rule, they should not be reduced. Incendiarism and a want of care, or carelessness, are chargeable with fully one-half the cost of insurance; and it is also true that a shrinkage in values largely induces incendiarism. If this is a fact, then the remedy must be not in reduced rates but in reduced lines; make the assured co-insurer if incendiarism is to be lessened. Again, we understand that a loss ratio of fifty per cent and an attendant agency expense of forty per cent leaves a margin, though small, in excess of the actual profits of fire insurance for the year just passed. The agent understanding what the intent of the contract is, that rates are barely paying, must familiarize himself with other requirements, such as the legal bearings of the conditions of the contract; the danger of ambiguity in its language, the necessity of full application with questions of values, interests, title, other insurance, dangers threatened, etc.,—answered as being of importance and becoming a part of the policy.

So, too, in case of possible double insurance on mortgaged property, issue policies to the owner *only*, securing, if desired, the interest of mortgagee by the "Loss, if any, payable to ——" clause.

A personal supervision of liens and risks is also imperative. Close scrutiny of the internal or external hazards of a risk when first accepted or subsequently renewed may disclose facts which will be deemed sufficient to withhold a policy and prevent the carrying of a line which a subsequent adjustment discloses as unreasonably bad; nor should agency work end with soliciting and a judicious handling of business. Effort should be directed toward the correction of unfair public sentiment, toward inducing public interest in all measures intended in any way to lessen the burden of losses sustained by communities or companies. The immense volume of waste by needless fires throughout the country demands that building laws, incendiary legislation, fire limits, shall receive attention—consider the question of accountability of those upon whose premises fires occur; restrict by legislation the amount of insurance granted or accepted to three-quarters of the property value, thus releasing communities from so costly a temptation as over-insurance. Business in general is said to suffer from too great competition, and in our field of insurance there are evidences that the dangers of excessive competition must be considered specifically and not in general terms; careless appointments, excessive commissions, frequent rebates, carry their dangers, and have reduced the receipts from country agencies to a figure little in excess of expenses and losses.

That the companies would be glad to receive a percentage of profit smaller than the commission paid to local agents is of little importance to them as long as they can on demand get even more in some quarters. The same spirit of selfishness influences to many of us. For instance, an effort is made to induce a concerted action on the part of the management of the leading insurance agencies toward a reduction of expenses. All are consulted; all gladly respond and a reform is announced, but proves a failure. Selfishness in some peculiar case says No! and it develops that because a pet, agent who receives twenty per cent or more, *threatens* to place his business with others if his commission is reduced, has carried his point and has dictated a policy for his general manager to follow.

Such an agent gives me \$10,000 in premiums; his business is unattended with losses—all profit. Such reasoning would be weakened by a dwelling loss of a

similar amount. Profits or losses are not calculated upon any one agency, but from classes of risks carried by the company in general.

If competition is excessive; if irregular practices are encouraged by reckless appointments and extravagant compensation paid,—it is the duty of all to consider possible remedies. It is suggested, then, that the present method of compensation should give way to one which would reduce the number of agents,—would elevate the standard of others and lessen the cost of insurance in general. I refer to the idea of a fixed commission of ten per cent (which about equals the commission of twenty per cent, less rebates), and a contingent commission of ten per cent on the yearly profits of each agency. Excessive commission men would revolt, rebate men would be forced to reform or quit, and business would revert to old agents of the ten per cent school or new ones of equally sound judgment. The incentive would be strong to overcome carelessness, to secure the good and avoid the dangerous, to more fully induce public caution, to become an insurance expert fitted to protect the interests of himself, client and companies; and, it seems to us, a reasonable deduction follows, that, so guarded, the business can be made more prosperous.

The objection that an agent would be reduced to a ten per cent basis and hence would decline to act is unreasonable. First, the fact of his having several companies makes his compensation over-run with some while reduced with others, the result being a good average in any event, and a decided increase if business is attended by small loss. Realizing that ninety per cent of the insurance business passes through agents' hands, and that the aggregated losses of the last quarter of a century have exceeded the aggregated premiums received, we certainly have reason to criticise the present system of agency work. Insurance is far-reaching in its results; and a study of it brings a realization of its dignity and functions. Friendly to public interests, it has become necessary to business, giving required protection as the basis of credit in its branches available to all, and a silent factor which cannot be eliminated from any industry. A restoration to business channels of \$100,000,000 and over, yearly burned, depends on its maintenance. Such being its influence, the details of its workings should be entrusted to men of known character and not to those of low cunning.

In conclusion, we submit our report, feeling that the intelligent business element among local agents will say, Amen.

The President: There are interesting points in Mr. Pope's paper, which will bear discussion, gentlemen.

Mr. W. M. Chalmers read his paper on Forms of Policies.

## FORMS OF FIRE POLICIES.

MR. PRESIDENT AND MEMBERS OF THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC:

As Chairman of the Committee on "Forms of Policies," it becomes my duty to submit the following report:—

This important subject has been so ably handled by my predecessors in our own Association, and by others of kindred associations, that I have found the task a somewhat difficult one. As was remarked by an illustrious individual of ancient times (and quoted by our President to-day in his address), "there is nothing new

under the sun ;" I fear that what I have written may prove to be stale,— perchance flat,— but, I trust, not unprofitable. But, perhaps, like an esteemed friend of mine, who lately made known to the members of this Association the hitherto unknown "*Grecian*" Sphinx, I may have succeeded in unearthing something new in my present effort.

When the first policy of insurance may have been issued is veiled in obscurity ; but writers on the subject inform us that away back, even as early as the fourteenth century, insurance policies were known ; and we find that various governments, even then, passed laws regulating insurance, and enacted certain conditions on which the contract was to be based. In those early days, of what may be called the dark ages of insurance, people did not know as much as they now do, and underwriters had not been put on their mettle, so to speak, to protect themselves against dishonest claimants. So we find that *then* the form of policy was extremely simple, and contained but few, if any, of the numerous conditions of the present time.

In those days, inasmuch as insurers undertook to pay the sum named in the policy, irrespective of the damage sustained, conditions were as unnecessary as adjusters. As time rolled on, individual underwriters formed themselves into associations or corporations ; we begin to find certain conditions in the policies,— such as requiring claimants in case of dispute to submit to arbitration ; notice of other insurance ; fixing the maturity of claims at sixty days ; excepting certain articles as not covered by the policy ; limiting the quantity of gunpowder to be kept on the premises, and so forth.

There must have been a gradual increase of dishonest claims, for the companies continued to add condition after condition, until, as we read, towards the close of the last century, a meeting was held in London, protesting against these so-called innovations, but apparently without effect ; for the companies went on adding to the conditions until we have the present huge, overgrown, puzzling, and, to the uninitiated, incomprehensible policy of our own times, which is but seldom read by the insured until after a fire : when it becomes the unpleasant duty of the adjuster to endeavor to solve the mystic problem, and enlighten him as to the fact that he has vitiated his policy by the infringement of some of its conditions, or that some item claimed for is not covered. A learned judge has remarked : "Many of the companies have encumbered their policies with so many conditions that they can seldom be held responsible for losses except at their own option." And another says of these conditions, that, "if strictly construed, they take back all the policy grants, and leave the insured nearly as empty-handed as he began."

That something ought to be done towards remedying this evil is well known to us all, and especially to those members of this Association who are adjusters. How to effect this remedy, it is difficult to determine. An effort was made some years ago to do so, by what is known as the "National Board Form," and, still later, by the "Standard Form ;" but so many of the companies preferred forms of their own, that these forms have not been adopted ; and, the result is, we have policies often covering the same risks, the conditions of which are conflicting.

My well-known modesty forbids me, on the present occasion, taking up your time by submitting a new set of conditions. That task, in my humble opinion, ought to be the province of abler and more experienced men than myself, aided

by the most profound jurist of the day ; so that when, unfortunately, we have to go into Court, our policy conditions will stick, and not be treated as if only "sound and fury signifying nothing."

I shall, however, trespass on your time so far as to suggest a few changes in the conditions which I have found useful in settling losses, and some of which I have inserted in policies lately prepared by myself for some of the companies represented by the firm whose adjuster I am. Among these changes I may name the following: I not only require the insured to submit to an examination under oath, but include his, her and their agents and servants. How often do adjusters find that a clerk or agent of the claimant knows a great deal about a fire, which under the usual form he cannot compel him to divulge.

Again, when personal property is damaged, the insured shall forthwith put it in order. I have inserted the words *best possible order*. Some of you will remember a case, not a hundred miles from Eureka, Nevada, where, had these words been in the policies, a great amount of trouble would have been avoided.

Again, as to the certificate under the hands of a magistrate or notary public, I insert the words, or *Chief of the Fire Department*, making it obligatory, if there is such an officer at the place where the fire occurs, to produce *his* certificate, instead of that of a notary public. The reason for this is obvious.

Again, in case of difference arising, the matter must be submitted to two appraisers, they first to choose a third party to act with them, if necessary, to estimate the damage, whether the loss be partial or *total*, and that the insured shall sign an agreement, submitting the matter to these appraisers. Lawyers claim, and I think correctly, that there is nothing in the present policy requiring the insured to sign an agreement of submission to appraisalment. They also claim that the policy makes no provision for an appraisalment on a *total* loss.

Again, after the word, "fresco-work," which is not covered unless specially mentioned, the words, or "ornamental painting," should be inserted, -- it being a disputed point in this country as to what is "fresco" and what ornamental painting.

The "Sun" Insurance of this city has in the conditions of its policy a very important provision ; namely, in case the company elects to rebuild, it requires the insured to pay to the company the difference between a new and an old building, and, if necessary, to furnish bonds to secure such payment.

There are many other improvements which might be advantageously made in the present condition of our policies ; but time forbids me dwelling longer on that part of my subject than to suggest, that all unite in having the conditions so framed that "he who runs may read," and that the interest of both the insured and the insurers may be mutually protected.

So much for the *printed* portion of the policy. And now a word or two as to the *written* portion, a matter of the highest importance to both contracting parties, as also to the adjuster, who, when the loss occurs, has to construe the meaning of the written matter. It has occurred to me that many of the misunderstandings as to the property insured are caused either by a lack of knowledge, or carelessness, on the part of, *not the insured*, but of the party who took the application. Agents and others upon whom devolves the duty of receiving applications should know how to write a policy so as to cover everything intended to be insured by the applicant, who is not presumed to know what items should be

specially mentioned, in order to be protected in event of loss. A store-keeper insures his stock, and supposes his fixtures and store furniture are covered; a householder, his furniture — and rests secure in the belief until a fire comes, that his books, printed music, pictures, and so forth, are insured. Now, parties applying for insurance ought to be fully informed of all this, and thus save much annoyance to all concerned. Hence the necessity of properly instructing agents on this point, and of having carefully trained men at head-quarters to receive applications, instead of, as is too often done, delegating that duty to some novice in the business.

Next in importance to writing a policy so as to cover all the insured intended to be covered is the necessity of writing it so as to protect the company. To do this, avoid writing blanket policies; segregate the various items as much as can reasonably be done; and see that your policies only cover the property *while* contained in the particular building in which it was insured in the first place. Avoid writing a non-concurrent policy. The *law* protects the insured against loss because of this; but the companies suffer, and sometimes unseemly controversies arise among adjusters from this cause.

There are many other suggestions which might be offered on the proper writing of policies; but feeling that I have already occupied too much of your time, I shall conclude by expressing the hope that the time is not far distant when a form of policy can be agreed on and adopted by all companies, which will alike protect the interests of both contracting parties.

The President: Gentlemen, let me repeat that if anything in these papers provokes a desire to discussion we will be pleased to hear your voice, even in opposition. It is a satisfaction to note that one is not only able to point out an evil but to suggest a remedy. This paper of Mr. Chalmers should receive other attention than being "filed away."

Mr. Geo. D. Dornin: I will renew a suggestion made at the last meeting, that these papers be made a topic of discussion at special meetings. I would suggest that it be understood, that at the next meeting Mr. Pope's paper be discussed, and at the following meeting Mr. Chalmers' paper.

The President: The hour having arrived for the reading of Mr. Z. P. Clark's paper on "Losses and Adjustments," reminds me that duty in the field denies us the pleasure of listening to him. Mr. Kinne will read for him:—

### LOSSES AND ADJUSTMENTS.

MR. PRESIDENT, AND GENTLEMEN: The prosy subject of "Losses and Adjustments" has been so ably treated by our learned predecessors that little is left for your present Committee to write about. We call it a prosy subject, because the poetry of our work leaves off where the financial tide begins to ebb.

Your Committee for 1881 presented a very exhaustive paper upon the rise and progress of the profession of fire underwriting from its inception down to the close of the year of our Lord 1881, effectually closing the gate to that field of research against your Committee for 1882. During the twelve months following, nothing of particular importance has occurred within our work-a-day experience, unless it may be that one of our able and esteemed members has discovered a "new version" of the "Reading Rule," or, as they say in the play, "a new way to pay old debts."

This discovery the writer of this paper took occasion to celebrate in the columns of the *COAST REVIEW*. That article conceived, in a spirit of merriment, and those following it, have, we are assured, done more towards attracting the attention of General Agents and Adjusters to the great necessity for some rule of general applicability and acceptance for the distribution of non-concurrent losses than anything else within the experience of our Association. We have even received letters upon the subject from local agents in various localities, to whom, in our letters of reply, we have set forth the importance of wording all co-insurance policies alike. No doubt some good has resulted in this direction. We trust that the Special Committee appointed at our last annual meeting, to determine a rule of general adaptability, have prepared to acquit themselves with all the glory which a successful effort in this direction would surely bring upon them. With them we leave the subject.

The year just closed has been one of unusual disaster and adversity to insurers. It is true, premiums have increased within our own territory from \$4,938,000 in 1881, to \$5,534,000 in 1882,—a growth of about \$600,000. But, on the other hand, we have losses swelling from \$1,750,000 to \$2,719,000,—an increase of nearly one million dollars during the same period; and ratios have been changed from 35 to 49 per cent.

While this ratio might not prove surprising to our Eastern officers, whose estimates are generally based upon a 50 per cent loss ratio, it is so foreign to our local experience that managers are casting about for the causes which may have led up to it.

There has been no abnormal commercial or financial depression during the year; and the number of failures has not been unusual. Hard times and frequent failures being considered factors producing numerous fires, we must look farther for the causes. The season was not an unusually dry one; a fair amount of grain was garnered for export, giving to the agricultural regions more than average returns in money. Still, the larger losses and the greater conflagrations occurred in this State, in the better built valley towns, notably Fresno, Willows, Red Bluff and Los Angeles; while Nevada, a State hitherto prolific in fires, has escaped with nominal loss. Tombstone, a frontier mining camp, began the year's "baptism of fire" not unexpectedly to careful underwriters. The approximate or total destruction of a new town built upon the mushroom growth of new mining districts is among the things so likely to occur, as to be regarded by the cautious underwriters as almost inevitable; but that we should be called upon to class our granger villages and cities among those doomed to the same expectations, reverses all our traditions and upsets all our theories.

It has been suggested, and we think very sensibly, by one of our most capable members, that one of the causes governing this unusual experience may be found

in the fact that this Coast, especially California and Nevada, has been in a semi-transition state. The opening up to easier access of the new territories of Arizona and New and Old Mexico, with all their wealth of minerals and adventure, has renewed the spirit of unrest indigenous to the California and Nevada pioneer, miner and frontiersman, and they have obeyed the impulse to "move on" until Arizona owes to them almost entirely her population, and until their tents dot many a hill-side in the Mexicos.

The plodding life of a ranch town hangs heavily with one accustomed to the rush and excitement of the camp, and sacrifices of property follow rapidly upon the heels of desire to disassociate them.

It is, we believe, admitted that the increase in insurable values keeps pace with the increase of population. In traffic, money and bonds will accumulate, but houses and goods do not, unless there be people to use them.

Now, while the population of this State has *decreased* through the drafts upon it, as above stated, the amount of insurance written in 1882 exceeds that of 1881 by nearly six million of dollars, and this in the face of the fact that lines on grain in warehouse have been *but a fraction* of the preceding years.

Upon this increase of \$6,000,000 we have taken a premium of little more than \$200,000, or an average rate of  $3\frac{1}{3}$  per cent, which is more than double the average on the entire business of the year, and of the average on the increase of the preceding year. From this we infer that, in the increased competition and scramble for business, our agents have loaded us down with extra hazardous risks not heretofore acceptable, or have permitted themselves to *over* insure where the moral hazard was *bad* and the applicant *ready to pay*.

We believe that herein lies the secret of our past year's misfortunes; and we cordially recommend every office to give itself a season for thorough spring gardening. Go through your country blocks with a fine tooth rake, and weed out every risk about which there hangs the slightest question. We assure you that values have not increased in California in the same proportion as have "risks written," and that every endorsement from agents granting additional insurance should be closely scrutinized. Investigation will convince you that a majority of them should not be approved; you will lose some risks, but you will avoid losses.

In contradiction of the statement, that values have not increased, the assessment roll may be cited. We grant it may show an aggregate exceeding that of former years. But we believe this more than accounted for in the new manner of making returns at the approximate worth, as required by the new Constitution, instead of at twenty-five per cent to fifty per cent thereof, as formerly.

Another possible contributor to the disasters of the fall and winter months has been the unusual cold weather and consequent building of fires in stores and places that have not been used, perhaps, for years. Frequently the burning of accumulated soot, the imperfect flue, or the disjointed pipe, is announced by the bursting of flames through the roof, and the shouting of the neighbors. We have found many such in our personal experience. Badly-constructed grates furnish their full quota of losses, notably in the serious damage to several expensive dwellings in this city and the destruction of Corbitt & Maclay's building in Portland — all within a few months.

While on this subject, we would suggest to your "Committee on Forms of Policies" the incorporation in policy conditions of a stipulation that fire-grates in

buildings must conform to some prescribed form of construction (to be agreed upon by a board of experts), and that losses resulting from a failure to observe the condition shall not be borne by the company. Or, if this should prove inexpedient or impracticable, we would suggest to the Board of Underwriters an extra premium on property provided grates, *not* constructed of at least two layers of fire-brick laid in fire-proof cement, and where the studding runs down beside the fire-bed.

(We trust the Board will pardon our presumption.) So much for losses! Now for the adjustments. We believe the hackneyed expression, "Adjusters are born, not made," the vilest rot. *Idiot* *are born*, or are *frightened* out of their senses, and we have yet to find an "*adjuster*" who is a born idiot or who has been *frightened*, except it may be that nervousness caused by "tick-tack" on a window-pane at midnight might be called *fright*.

In the days of the Argonauts, to which the memory of our younger members runneth not, the adjuster may have been "*born*;" for then they had not the time nor the wherewithal to "make" them. Latterly they have been "*made*" of the material at hand; and it is an interesting question whether nature has been a better builder than man.

Tradition has it, that in the days when eggs were a bit apiece, and roosters laid most of them; when ranchers kept vast herds of cattle, and were strangers to milk and butter; when two bits was the smallest change known to the Pacific Slope; when churches, school-houses and account-books were unknown,—not infrequently important questions were decided by a toss of the dice or a bout at high-low-Jack-and-the-game (commonly known as "California Jack").

If an adjuster was properly "*born*" he was pretty sure to win the toss or cut the Jack and walk off with the stakes. In cases of seriously questionable losses, loud denunciation, flashings of blue lights and display of armament frequently prevailed against the shivering claimant to the surrender of his policy, the consideration being "love and esteem" for his own whole skin. In cases of honest, legitimate claims, small losses were sometimes paid *liberally*, and the fact duly published with a grand flourish of trumpets that the store and saloon-keepers on "Nigger" and "Rattlesnake Bars" might learn of the extreme generosity of the company paying.

Things were done in those days upon a scale of extravagance unknown to the present underwriter. Lines were estimated not by individual risks, but by whole towns. The announcement of the burning of one building was usually interpreted as meaning the whole town. Rates were high, traveling expenses enormous, and per diems correspondingly large.

But times have changed. We now deal with the "*made*" adjuster, he who is "*made*" to toe the mark to conform to established business rules, to follow decisions of courts and to respect the rights of others. In other words, "*made*" to advise the payment of every loss, right or wrong, that he has the misfortune to be connected with.

And this brings us to the consideration of some recent decisions of interest to all adjusters, and some suggestions growing out of same. For the legal bearings of these decisions we are indebted to Mr. Wm. Thomas, of this city, a very competent lawyer and kindly gentleman. The late ruling of Judge Hunt in the case of *Hart vs. British and Foreign Marine Insurance Company* adds one to the

already long list of modern decisions against insurers. Of course, the ruling is not conclusive, but it will be the law applicable to all cases tried in San Francisco until the question can be settled by the Supreme Court, which always has the "last guess." The ruling in that case is one of particular interest to adjusters, as it concerns the course which they must advise their companies to pursue long before the case is placed in the hands of attorneys.

The defense in the case in question was the concealment of a fact material to the risk. Judge Hunt ruled that this was no defense unless the company pleaded and proved that it rescinded the contract before the commencement of the action. This decision was based upon the provisions of our Civil Code, which, after giving the right to rescind in cases of fraudulent concealment and representations, provides, in Sec. 2583, that wherever a right to rescind is given an insurer, such right *may* be exercised at any time previous to the commencement of an action on the contract. Judge Hunt reads "*may* be exercised" as "*must* be exercised."

The common law was and is that a fraudulent concealment or representation rendered a contract of insurance void *ab initio*. Judge Hunt, under the authority of this section, makes it *voidable* merely, and the avoidance must be evidenced by a notice of rescission.

We quote from Mr. Thomas: "With due respect to as learned a Judge as there is in this State, the decision is too broad, for it covers cases where the fraudulent concealment or representation was not known to the insurer until after suit has actually been commenced. In such cases, the defense of fraudulent concealment could, in our opinion, be set up. But if the opinion is confined to cases where the fraud is discovered before loss, or even before suit is brought, we think the ruling sound and entirely consistent with those provisions of our Civil Code which provide that a contract entered into through fraud is not void, but voidable by rescission."

In the light of this opinion, in cases where fraud is discovered before suit is brought, companies should rescind, and herein it is well to discuss what should be done in order to make a valid rescission. In such matters the Civil Code lays down clear and simple rules:—

*First.* You must give notice promptly that you rescind your contract upon discovering facts which would lead a reasonable man to believe that facts did exist which would entitle you to rescind. If you hear rumors or receive information which *may* lead you up to a knowledge of the necessary facts, it is better to rescind at once.

*Second.* The Code provides that you must, in cases of rescission, restore anything of value which you may have received under the contract. You must, therefore, tender to the assured his premium. It is true that, in cases of "actual fraud," the assured is not entitled to a return of the premium; but, in most cases, it is impossible to ascertain whether the fraud is merely probable or actual. By "probable," we mean those cases where the assured omits to state a fact material to the risk by mistake or negligence or accident. In such cases the contract would be subject to rescission, but the assured is entitled to a return of his premium. In cases where the facts learned are conditions precedent to the contract, the entire premium must be returned; for in such cases there has been no liability and no premium has been earned. In other cases, as of attempted arson or incendiarism, only the unearned premium estimated from the date of such attempt need be returned.

One more suggestion in regard to rescission. It is not necessary to tender the premium in cash; an offer in writing, — and it *must be in writing*, — to pay the amount of the premium, is, if *not accepted*, equivalent to the actual tender of the cash itself.

After notice of rescission, it is perhaps unnecessary to suggest that the greatest care should be used in further dealings with the claimant. The tendency of modern decisions is greatly in favor of the doctrine of “waiver.” The case of *Titus vs. Glens Falls Insurance Company*, decided by the New York Court of Appeals, in 1880, is very extreme. It lays down as a broad proposition, that if you have any negotiations with the insured after knowledge of facts which entitle you to rescind, which negotiations are based on the policy, or require the claimant by virtue thereof to do some act or incur some expense, the forfeiture is waived. You must not, therefore, demand proofs of loss, demand examination of the insured, or enter into any agreement with him for an appraisal, unless you expressly reserve the right of rescission, even upon grounds already known to you, slight though they may be.

The President: Gentlemen, we are favored this morning; Mr. Clark’s paper is as full of “meat” as it can be.

Mr. T. A. Mitchell reads his paper on “Legislation and Taxation”:—

## INSURANCE LEGISLATION AND TAXATION.

MR. PRESIDENT AND GENTLEMEN OF THE UNDERWRITERS’ ASSOCIATION OF THE PACIFIC: There is no class of business conducted in the country that is legislated on to the extent that the insurance business is. To the underwriter, this question of regulating it by law, is indeed a most important one, and, we may add, a very serious one. You will all recognize that fact. Not only in our own State, but in almost every State of our Union, are we threatened with a perfect tornado of law-making, hostile and adverse to the best interests of underwriting as a business.

The chief aim of the average legislator appears to be to concoct and place upon the statute books of his particular State something regulating insurance companies more absurd than the law of any other State, and particularly of the State whose legislature has just adjourned after doing all the damage they could. To be brief: they seem to desire to take the making of the entire policy contract upon themselves, and, in case of loss, to adjust it.

The majority of this attempted legislation, if not so annoying and vexatious, would be ludicrous in the extreme, and how it can originate in the minds of men of average business ability and capacity is past finding out.

The honest property-holder does not ask for the passage of any such absurdities as are before the legislatures of our own and several other States, at the present time. The policy contract of to-day gives him indemnity, which is all he wants, and all he pays for; he is satisfied that in case of loss his claim, if just, will be met honorably, and he bases his opinion on the honorable record of the company that protects him, the same as he does on that of the banker, or the merchant with whom he deals.

We repeat, that this almost constant agitation we are subjected to, every time a legislature meets, does not arise from any grievance or desire on the part of the property-owners, the parties in direct interest.

It principally arises from that curse of our country, and especially of our own State,—*Politics*. Politicians and their friends (call them the lobby if you choose) are fully aware of the dangers the underwriter apprehends when the legislature meets, and they always make the best use of such knowledge ; for we soon hear of deposit bills, tax bills, and that king of horrors, the valued policy bill, all being introduced (by request), and in this way are insurance companies made the special target of the *friends* of legislators. It would almost seem incredible that such attempts should be made to damage, if not destroy, a business of such magnitude and importance ; but the facts are, nevertheless, that such is the case, for we are threatened with it every session of a legislature.

This whole question of legislation, and attempts at legislation, has been so ably handled by the leading underwriters of the country, by the insurance journals, and so thoroughly by the legislative committees in our own State, with all of which you are so familiar, that your committee feel as if it would hardly be possible for them to prepare a paper with any original thoughts in it on the subject that would be of benefit to the Association.

In our State, as you are all aware, there is some very hostile legislation threatened.

Mr. Wharton's bill provides that any company hereafter admitted to do business in this State must have a paid-up capital of \$500,000 ; that foreign companies must have a United States deposit of same amount, and imposes tax on premiums received by all non-State companies.

This refusing admission to companies unless they have a paid-up capital of \$500,000 is a mistake ; for it would bar out companies that have a surplus over capital of nearly one million of dollars, and would allow a company to enter, provided it had the necessary paid-up capital, if it did not have a dollar of surplus. In addition to that, if \$200,000 paid-up capital is considered enough for companies to enter the great States of New York and Pennsylvania, we don't see that California should refuse them admittance.

We want no deposit feature of any kind on our statute books. The proper place for a company's collaterals is where they are under direct control of the management, and can be used at a moment's notice for payment of loss claims at any agency the company may have. We are aware that our English friends have been decidedly in favor of the deposit feature, when insurance legislation is rampant ; also, that all the leading English companies have very heavy deposits in America, which have given them towers of strength and confidence in American underwriting ; but would it not be better for the policy-holder if the entire amount of each foreign company's assets were in such shape that every dollar of it could be used at any point where needed, instead of being held by the treasurers of the several States in which the deposits are made.

They cannot well have all their assets in U. S. registered bonds ; and it might be well to note that the State Treasurer of two States (Tennessee and Alabama) have already absconded this year, and that there are ten months of the year yet left. The city of London recently had a fire which only destroyed some three or four buildings ; yet we see some companies lost from \$250,000 to \$400,000.

Should it be visited with a conflagration of one-tenth of the proportional magnitude of the Chicago or the Boston fires, it might be very comfortable for English underwriters, instead of having their American assets tied up, to have them in such condition that could be reached at once.

The property-owner has no desire to see any company that can comply with the present law, driven out by any deposit feature; and if he prefers the policy of a German, Swiss, French, Australian or New Zealand Company, with no deposit here, to the policy of an American company, with millions of dollars invested in the country, or to that of an English company that has from choice made large deposits in other States, we say let him have it — don't build up a Chinese wall around our State on this deposit feature, and drive out any company that can comply with the present requirements of the Insurance Commission.

We look upon what is termed the insurance district law, in force in the State of Massachusetts, as affording to the policy-holder a surer safeguard than any deposit law ever enacted. Each city in the State is laid off into districts by the Board of Aldermen, and plans of same are sent to Insurance Commissioner for his approval. No company is permitted to take in any district so laid off a greater amount at risk than the amount of its surplus to policy-holders; so in case of general conflagration, a company could at least pay its losses in the district. This is the true plan for protection, not only of the policy-holder, but of the company as well, and we commend it to the law-makers of our State if they wish indemnity for their constituents.

We are opposed to a tax on premiums. It simply means that the property owner who wishes to protect himself against loss has to pay a State tax for the privilege of doing so; for if he does not pay it directly, he has to pay it in the shape of increased rate.

Mr. Kelly and Mr. Perry both have valued policy bills before the Senate. The only difference between them is that Mr. Kelly's applies to real property only, while Mr. Perry's to both real and personal property. If the latter bill should become a law we presume that no reputable company would issue a policy on personal property. The valued policy feature on real property is dangerous enough to make the careful underwriter shudder; but this feature applied to personal property is simply diabolical; in fact, is entirely too aggravating, and it would be a waste of your time to discuss it from any stand-point. If the feature, so far as it relates to real property, should ever be placed on our statute books,—and it may possibly be some time, for already in two or three States it is a law, and several others are threatened with the infliction — if the underwriters as a body will only refuse to insure to a greater extent than one-half the actual cash value of the property,—the people will be so disgusted with the valued policy bill that they will demand its repeal at the first opportunity. In this would lie our remedy. We look upon this whole matter of valued policies as being in direct violation of the first clause of Section 2551 of our Code, which says: "The sole object of insurance is the indemnity of the assured;" and Section 2527, which defines insurance as "a contract whereby one undertakes to indemnify another against loss;" also, Section 2550: "The measure of an insurable interest in property is the extent to which the insured might be damaged by loss or injury thereof."

How can such bills become a law in face of these sections of our Code? It would be a matter for our courts to decide.

Mr. Perry also introduces the following bills, which will be of interest to you : No. 313 provides that the transfer of the thing insured transfers the policy, and the owner thereof succeeds to all the right of the original policy-holder. This is indeed a very dangerous bill, and taken in connection with a valued policy bill, would make a very pretty combination for the incendiary.

No. 312 reads; "The fact that an insurance is taken out in the name of a person other than the owner of the property insured shall be no defence in an action brought to recover damages by reason of any loss, provided the owner of said property and the person in whose name the policy is issued join in an action for the recovery of the amount of such insurance."

This is another dangerous bill, for it throws the door wide open to fraud.

The last clause of Section 2551 of our Code, in defining insurable interest, says: "If the insured has no insurable interest, the contract is void," which is in such direct opposition to last-named bill, that the former would not stand.

No. 317 provides that no proofs shall be required of a loss, except to notify the insurer. This is short and to the point; but we understand it has been amended to read: "and to furnish such proofs as are required by the direction of the Insurance Commissioner."

No. 315 provides that the insured can cancel at any time, and the company shall be liable for a proportionate amount of the premium paid.

In short, this is *pro rata* cancellation.

Before closing, your Committee desire to call your attention to a bill before the legislature of the State of Pennsylvania, which provides that actual possession of a policy is evidence that the premium has been paid. If such a law is held to be constitutional, we think all policies issued in that State will be paid for on delivery. In our State, where the credit system is carried to such extremes, a modified form of this bill might be of advantage.

Mr. Geo. D. Dornin: I take exception to the statement that English companies are favorable to the deposit laws. They were proposed originally for the benefit of local companies; but, like all such measures of hostile legislation, they reacted. I am opposed to deposit laws here or elsewhere. This position I have always maintained and fought for, not only when an officer of a local company, but in my more recent association as representative of a foreign company.

Mr. Mitchell: It was not intended to be personal.

The President: I wish to say that when I called upon Mr. Mitchell for a paper, he modestly requested me to take his name off the list, saying he had never written a paper in his life. I hope other members will acquit themselves as well.

On motion, the meeting adjourned until two o'clock.

## AFTERNOON SESSION.

The President: Gentlemen, we will proceed with the exercises of the meeting.

Mr. Geo. W. Spencer: I take pleasure in introducing Mr. Geo. F. Ashton, our newly-elected member.

The President: Mr. Ashton, we welcome you to the meeting and to our Association.

Mr. Mitchell: I would ask the privilege of changing a sentence in the paper I read. In place of saying, "Our English friends are favorable to the deposit feature," I will say: We have been aware that our English friends *have been* in favor, etc.

The President: Gentlemen: we are now to be favored with a paper from the hands of Mr. C. C. Hine, editor of the *Insurance Monitor*, New York, a gentleman who needs no introduction here,—one who has for perhaps more years than he cares to acknowledge written and spoken insurance sense, and who kindly consented to give us a paper upon some subject, which subject he was requested to choose. "Co-operation" is the title of the paper which Mr. Carpenter will read for Mr. Hine:—

## CO-OPERATION.

Some thirty years ago, when I was chairman of a lecture committee in a town in Southern Indiana, where I then resided, Professor Dana, of Yale, came out and gave us an address on the coral reefs of the South Pacific. It was an entertaining lecture; but just why he should have traveled all the way from New Haven to New Albany to talk to a Hoosier audience about coral I did not know then, and have never found out since. Probably there was not a man in the town who had any immediate interest in coral beyond his baby's necklace, or who had ever seen a piece larger than the specimen in his neighbor's parlor cabinet; and yet we sat and "took it all in," just as matter-of-course like, as if we had been a tribe of naked South-Sea Islanders, instead of an audience of well-dressed, Nineteenth Century Indians! It is barely possible that I have harbored thoughts of revenge in my heart ever since; I would be unwilling to attempt to trace the thread so far back; but I can advance no better theory to explain why I have selected "CO-OPERATION" as the theme of a paper to be sent all the way across the continent and read at your annual meeting; so, if the subject should turn out to be malapropos, and if anyone should require explanations or apologies, I beg in advance to refer him to Professor Dana! It would be rather late in the day, and by a somewhat circuitous route, if poetic justice should reach him, and I am not

sure that he is still living ; but in any event I repudiate all responsibility for the laches of our lazy President, who had the opportunity of selecting my theme, and might have sent me to discoursing learnedly to you about the history of insurance, or adjustments under non-concurrent policies, or the rise and fall of the National Board, or the mysteries of spontaneous combustion ; but who, with a singular disregard for the feelings of his constituency, instead of doing either, told me to go as I pleased ! It would hardly be the square thing for me to punish you too severely for his dereliction, otherwise I might talk to you for an hour and a half about the high moral duties of underwriters towards the public, and remind you that insurance is the handmaid of commerce ; or exhort you, *in extenso*, to hold high the banner of professional honor, and never tell a lie or divide a commission with the insured, and so on and so forth ; but as I have done all those things several hundred times already, and have not written or uttered what I shall now present to you more than a dozen or twenty times, and as I am a merciful man anyway, and as I have just returned from a visit among you, having been treated most royally by the Pacific Coast underwriters, one and all, I yield to the sweet impulse of gratitude, and will certainly be brief while I try to be useful.

Co-operation is a good thing under almost any circumstances and in almost any connection, because it means harmony, unity and prosperity, instead of discord, division and adversity ; and there are some conditions under which Co-operation is possible, while there are others under which it appears to be impossible. There are some things that lead me to think that Co-operation is not adapted to the American atmosphere, or else that our atmosphere is not adapted to it. In England there have been some examples of eminent success in Co-operative stores ; the experiment was transplanted to this side recently, and a Co-operative establishment, with \$250,000 capital and more than five thousand stockholders for customers and well-wishers was started in New York, under what appeared to be the most favorable auspices. It ran a brief twelve-month and closed its doors last December, with the closing year, an utter failure, — a magnificent fizzle !

Co-operation to be permanent must be slow, and Americans think they cannot wait for fruits of slow growth. Its foundation stones should be laid deep, and all the superstructure built with care and patience, and those who co-operate must be moved with a desire to work for the general good, content in the belief that the general good will reflect its rays of prosperity on them. But Co-operation, as we have known it in insurance circles, has only been resorted to as a hasty expedient when companies were in distress : —

When the Devil was sick, the Devil a monk would be,  
When the Devil got well, the devil a monk was he !

Companies have not gone into Co-operation for the general benefit, but each for whatever of immediate good might accrue to itself — every one for himself, and bad luck take the hindmost. That this is not the sort of material to build a permanent structure of, everybody knows, and no one who is accustomed to consider effects in relation to their causes is at all surprised at the failure of a National Board or of any similar organization. It is a common saying all through our fraternity that only another Chicago will induce Companies to observe good faith with one another, and that even then they will keep it only as long as the smart lasts ! Nothing abiding can come of such practices as these. I do not make these remarks because I am inimical to the National Board or any other organization

that can do good to insurance, but because I have been an attentive observer of the progress of affairs, and do not believe that permanent Co-operation will ever result from the desperate efforts of men who are merely trying to solve the problem of immediate distress. The old National Board was never a good illustration of Co-operation; in its prime it was simply a successful dictator, antagonistic and imperious as Nebuchadnezzar with all who did not bow down and worship on its little plain of Dura. It was not an open Co-operative, but a close corporation, dominated by its executive committee, which was, in turn, ruled by a few able minds, lording it over companies and agents alike. This was the basal reason of its decline. It did some good work in its day, but it had within itself the elements of disintegration, and these asserted themselves the moment the pressure of immediate distress was removed. It is not unlikely that the companies will again emerge from their valley of humiliation through the gates of a National Board, and that that organization will recoup and again exercise a controlling influence in American Fire Insurance. Let us bid it God-speed in any work which it may undertake, even for the temporary relief of our harassed profession; and let us hope that it will take counsel of past experience and wisely enlarge the field of its observation so as to avoid past causes of failure and include coming elements of success.

I am incredulous, however, about the permanency of any scheme of Co-operation which covers so much ground and so many diverse interests as the National Board assumes to cover. I will speak of this further along; but just now I wish to talk about some of the causes of competition, some of the hidden springs of emulation and rivalry that are not generally recognized, and which I have not seen mentioned by other writers.

I have discovered a set of facts to which I have several times alluded editorially, but which appears to have made a much deeper impression upon myself than upon my readers,—a not unfrequent experience among the children of genius! The facts are these; I invite your close attention to them, for they seem to be united with a principle which is of almost universal application, and which underlies this subject of co-operation and explains many of its difficulties: Begin with the very substratum of labor; take the men who dig for day wages, the men who carry burdens, who wheel dirt and lug the ties in railroad building, who load and unload ships; come along up through the draymen, the drivers and porters; come further, and observe the multitude of mill operatives and the noble army of mechanics; come still further, and take note of the skilled artisan, the carver, the modeler, the piano maker; among all these you will find no undercutters; such a thing as competition *against one another* is practically unknown; they will unite together and strike for higher wages, but they cut one another's prices, never; the idea of undercutting, as well as its practice, seems to be wholly foreign to them.

Come still higher, and look abroad over the whole domain of individual effort, and find me, if you can, undercutters among the farmers, the lawyers, the artists, the doctors, the ministers, or even the editors; they are not there. So long as men labor with their own hands and brains for their own sole benefit; so long as they depend for bread, or for wealth, upon the products of individual exertion,—the factor of undercutting competition does not enter into their plans; you do not find it until you cross the line where men deal in the products of other men's labors;

and even there it is graded and guarded, until you reach the realm of corporate life, where it runs rampant.

Merchants compete with one another sharply; they make runs on particular articles to attract custom; they advertise cheap counters and remnants, and make up on other goods sold to customers thus attracted for the reductions so made. Unlike the merchants, we, alas! have only one article to sell, — *INSURANCE*; and when we cheapen that we prove the reverse of the popular maxim to be true, and demonstrate that competition is the death of trade. We see, then, that men who work with their own hands, or trade with their own money, do not compete, or, if they do, do not venture recklessly on the danger line; and we are compelled to look among those who employ other men's money, notably those who work through the instrumentality of joint-stock corporations, for that heroic and fearless contention which disregards consequences and brings a business into that condition of infirmity and laxity which now pervades insurance.

Let us see whether known facts sustain this theory. I will allude to a few that are notorious in New York and well known elsewhere, or which have parallels elsewhere, which are probably known to all of you. (a) There are only four trunk lines of railroad from the Atlantic sea-board westward — only four, and the newspapers are constantly filled with the history of their rate wars. I have ridden from New York to Chicago for seven dollars, and I think it likely that I may do so again. How easy it would appear to be for only four managements (there are more than two hundred competing insurance companies) to get together and agree to that which would be for the advancement of all their interests; but how difficult it really is. (b) There are not to exceed a dozen corporations controlling the interests of the great anthracite coal fields, with their railroad and marine accessories: not a large number to harmonize it would appear, but they have been as fierce for one another's throats as so many bulldogs. Latterly there has been more evenness in the prices of coal, but consumers can remember seasons when the prices have been jumped up or down a hundred per cent. (c) There are but two great steamboat lines from New York to Boston, and the same number from New York to Albany; and yet for years passengers were carried from New York to Boston for a dollar, and at one time, I believe, they were carried from New York to Albany for ten cents. I suppose that only those inside of transportation circles have any adequate idea of the fierceness and intensity of the competition existing there, of the elaborate and subtle schemes for outwitting one another, of the adroit intrigues with ticket agents and of the size and sort of commissions paid them. If the whole truth could be come at, I have no doubt that the nineteen points made by Mr. Hope against the insurance companies (which, in bad faith, pay extra commissions via the circumlocution office, while pretending to pay only fifteen per cent direct) could be beaten clear out of sight, and the insurance people shown, by comparison, to be a set of innocents; but does anyone suppose that men employing and hazarding their own money solely would transact business on such bases as these? We have no experience for believing it possible. Gamblers and speculators, in the insane hope of immediate gain, will risk their all sometimes upon the turn of a single die; but nowhere except in corporate life do we find this deliberate and long-continued strife, which none know better than those who practice it, fraught with fatal disaster to the interests involved. Men who are timid and conservative in all their individual affairs and personal relations, become,

as soon as they go into a board of trustees, or sit down in an official chair, possessed with the idea that the very nature of their responsibilities is somehow changed; and these reckless competitions, once entered upon, appear to have a fascination about them as irresistible as that which overcame the cautious old party, who, in great trepidation, ventured on board a western steamboat for a trip to New Orleans with a shipment of hams for that market. Nothing could exceed his timidity when contemplating the frailty of the vessel on which he was sailing and the numerous dangers which environed the river navigation. Shortly a rival boat came up behind, and the excitement of a prospective race spread among all on board. The furnaces were stimulated and the speed increased until the laboring engines made every timber and plank in the whole craft to quiver. Our timid friend was thoroughly affected; presently his enthusiasm reached a point in inverse ratio to his former caution, and, as the rival boat gained upon him, he went to the captain, trembling with excitement, to know if something could not be done to make steam faster and increase the vessel's speed, and actually suggested that his shipment of hams should be fed into the furnaces, in order that their fat might intensify the fires, and, if possible, aid in beating the other boat. It is scarcely necessary for me to add that those hams belonged to other parties. and that he was simply acting as supercargo; president of a Kentucky ham company, so to speak.

Thus we see that competition, not co-operation, is the natural outgrowth of corporate life and activity, where the object of that life and activity is gain. Co-operation among benevolent and religious societies succeeds measurably, because their objects are unselfish; but the moment selfish interests come in, they bring disturbing factors; and, unless all the selfish interests are about the same size and shape, and all point in the same direction, and can all be better served in common than by separate effort, the elements are incongruous and discordant, and disintegration is sure to ensue; it is merely a question of time; the fabric will certainly fall to pieces. Even in religious bodies the cohesion is lax in proportion to the size and number of the constituents. A single church will often work as one man for a particular object; but when the presbytery, or the conference, or the diocese is reached, you find some who are ignorant or indifferent, or even adverse. If you go still further, you find, in the general assembly, yet more lukewarmness or positive antagonism; and so a matter which in a single church or community may be red hot, coalescent, concrete, can be acted on in the larger body only in the most general terms,—abstract, vague and cool.

This brings me around to a point to which I promised to give further attention; viz., the difficulty of co-operating over so large a field as the whole United States, by any one body; and so, to a commendation of the efforts that have been successfully put forth by the Union in the Northwest, and to some extent by our own Association on the Pacific Coast. I have always had great respect for the maxim, "Divide and Conquer." One thing at a time and that thing not too large. The slang warning in regard to biting off more than you can chew, and Gough's old story about the ambitious boy who put ten dozen eggs under one hen, "just because he wanted to see the old critter spread herself," have a good many pertinent applications; and I have often thought of them when contemplating the ponderous and ineffectual efforts of single organizations to cover the whole field of insurance in this country.

It is an axiom that the larger and more diverse the interests are, the more difficult it is to combine and harmonize them; rules which apply to township government are simple, easily understood and easily applied, compared with the affairs of a State or Nation. What is true of the township is true of the Local Board, and for much the same reasons; I would, therefore, with all my powers, labor for Co-operation *in small spots and a good many of them!*

There are Local Boards which were established two, ten, twenty years ago, that have been since the hour of their organization, and are to-day, successes, eminent successes; and I would look to the cultivation of Local Boards, just as I would look to the welfare of the multitude of rootlets which supply the tree with moisture and nutriment. Take care of the pennies and the dollars will take care of themselves. Look well to the Local Boards, and the great body of insurance will scarcely need looking after at all.

Some of the dignitaries of the National Board may call it levity; but that organization has failed in so many things, that if it should fail in what I am about to suggest, it would only be an *encore* of former experiences; and it might do better than fail. I therefore beg to submit through you for its consideration the propriety of adopting, as the beginning and end and sum total of its programme at the next annual meeting, two resolutions, viz.:—

*Resolved:* First, that this organization approves, and will give its cordial support, both moral and substantial, to the Associations of the Northwest, of the South, and of the Pacific Coast, to the end that they support and encourage State Boards and other instrumentalities which have for their immediate aim the promotion of Local Boards, to the further end that the establishment and cultivation of Local Boards be stimulated to the highest possible degree of perfection.

*Resolved:* Second, that we eat a good dinner together and go home.

Then I would recommend to your Association, and to others like it, the promotion of State and District Boards, if action through them would be more efficient and economical than direct effort. I would have every State divided, and, if necessary, subdivided, so that effectual labor might be put upon local organizations. I would have Local Boards created wherever two or more agents are at work. Laying aside other matters for awhile, and looking back over the pathway strewn with broken promises, blasted hopes and unattained ambitions, I would say with him of old, this one thing I do,—I would try for co-operation where co-operation is easiest and most likely to give immediate and richest returns.

That I am preaching no new doctrine I am well aware. I know that in several of the States the best thinkers and the best workers are applying their best efforts in this very direction; and I believe they are doing more for the redemption of insurance than the National Board and the United Underwriters, as such can do, and for the reasons already indicated.

You will ask me if I expect to reach Utopia by this route; not by any means. There will always and everywhere be impracticables and obstructionists who will furnish impediments and failures enough to keep any enthusiast humble; but I would do the very best I could at each point; and so, by diligent local culture, attain to an aggregate advance and improvement over the whole field, that would in due time pay handsomely for the effort, and be likely to remain permanent.

Do I mean, by this transfer of effort to local points, an abandonment of central

and united company-effort against the evils of incendiarianism, arson, bad legislation, and so on? Not by any means. There are fields of effort and points of attack where the interests of all companies are identical, where there is and can be no diversity. All want good laws; all want efficient fire departments; all want incendiarianism and arson stopped. I cannot enlarge on either of these, or a dozen other cognate points, for each would furnish material for a separate paper; but I will say that the subjects on which the United Underwriters spent most of their time at their late meeting are not by any means as one-sided as some imagine. It is all very well for the great, rich companies to decry the "inducements" held out to patrons by companies of a lower grade than they; but how shall such dispose of their wares if they cannot by some means make up for their inferior quality? I am not propounding original conundrums; I am simply echoing questions which have a thousand times been asked of me.

Smaller and weaker companies stand at a disadvantage; and they say the large companies have no right to put them at a disadvantage, and then claim for them a purity of practice in which, as the Irishman remarked, the reciprocity is all on one side! I am no apologist for bad faith or evil practices; but as an impartial observer of the whole field, I cannot but reflect such sentiments as I come in contact with; and my observations have led me into a condition of chronic disbelief in the practicability of successful general co-operation among the companies on the subject of uniform rates and commissions, or in the perpetuity of such co-operation, even when temporarily established. Each company *must* have its own points of advantage or lose its identity, and perhaps its business. The large, rich company offers you a policy backed by two or ten millions of assets; the little company offers you one backed by two or three hundred thousand; if the price and the terms are in every respect alike, which will you take? The laws of trade answer that question every time, and the little company goes to the wall; it must sell its goods cheaper, or give a chromo, or offer some other inducement which will put it on a footing of relative equality. To ask it to give up its peculiar inducement, whatever that may be, is equivalent to asking the rich company to give up the inducement which comes of its wealth. "Ah!" you say, "it would be the proper thing for the little company to become a big one, and exchange its thousands for millions;" and you are undoubtedly correct: but the old maxim stands firm,—*Non possumus omnes*, which, under a specially free-and-easy reading, might mean, "we cannot all be opossums!"

I cannot say farewell to this important branch of my subject without again airing one of my well-worn hobbies,—*Co-operation on a sliding scale!* I have often urged that if the companies would adopt standards in rates, as they do in scheduling buildings, and then make a sliding scale, and let the companies elect which class they will belong to, the old and rich ones charging the full tariff rates, the next class, and the next, and the next, charging one, two, three, five per cent less, according to the class they have elected to stand in, each solemnly agreeing to abide by its own chosen place in the scale; that, under some such arrangement as this, it might be possible to attain to lasting Co-operation. The notion is certainly worth thinking about, and perhaps worth elaborating with details, seeing that all efforts to combine upon *uniform* rates have failed, so far as the mass of the companies is concerned. I do not offer this patent attachment as applicable to the Local Board work which I have been urging upon you, but as a basis for National Board work

when that organization again attempts to wrestle with the question of rates. Whatever is done in any body, large or small, must, to be lasting, be upon a broad basis of equal justice to all. An officer of a small company once illustrated to me the way Co-operation had worked with him. He said: "A friend of mine, a poor man, had more pigs than he had food for. A neighbor of his, a rich dairyman, had more milk than he had pigs to feed. So the former took two of his pigs to the latter and suggested that he should feed the two for four months and keep one of them for his pay, which proposition the other modified by suggesting, as its equivalent, that he should feed them *eight* months instead, and then keep both! The other scratched his ear doubtfully, and said slowly he didn't see but that was all right according to the original proposition, but he believed he wouldn't bring over any more pigs!" Our friend of the small company said he had parted with about half his business in order to do the other half amid the refinements of high-toned society, and it was now looking to him very much as if he must part with the other half if he continued to indulge in the same aristocratic associations. It was not very polite in me, but I remarked to him that any man who depended for advancement on his patrician surroundings instead of his own individual industry, was little short of a fool, and would probably always meet with the same bad results, reaching in due time a place where he would need something more than a good story with which to justify himself to his directors! And this brings me again around to the place where every faithful consideration of this subject is apt to bring one, — face to face with the great difficulty of formulating a basis for successful Co-operation among insurance companies. A very able man, to whom I once applied for a solution of this difficulty, said he had thought about it a great deal; had lain awake nights over it and cudgeled his brains day times, in the earnest endeavor to harmonize the duty which he as an officer owed to his own company, with the duty which he as a good citizen of the insurance world owed to others; and the best he could do, after all his thinking, found concrete expression in the old and wicked couplet: —

Love your neighbor as yourself,  
But paddle your own canoe.

Before I close, you must indulge me in a brief personal. I desire not to be misunderstood; my point of observation is, or should be, a broad and impartial one; but I have been giving you sketches and touches at random, as I could recall them, for service on the text immediately in hand. As I review what I have written, I seem to notice a slight undercurrent of animadversion on one class of companies, and of advocacy of another, and so far as this may be regarded as interpreting my own inner views it is erroneous. If there really is such a bias to this paper, it simply grows out of the subject itself and its line of treatment, and not out of any personal prejudices one way or the other. I was born and bred an *Ætna* man, professionally speaking, and have not forgotten, and probably never will forget, the traditions of my youth; so that, if I may be legitimately suspected of predilections, they would be rather toward the large companies than the small. So far as I think I understand myself, however, my plan is to get the warp and twist out of all my monitor timber before I build it into articles or essays.

In closing, I wish to remind you that your environments are less complicated and less formidable than those which handicap the companies on the Atlantic Coast. I do not seek to belittle your difficulties; they are enough to tax your

best brain and your best muscle ; but, by as much as your territory is smaller and less densely covered ; by as much as San Francisco is less a center than New York for cosmopolitan planning and scheming ; by as much as forty offices ought to be more easily handled than a hundred and forty ; by as much as your offices are mainly branches instead of home establishments, with other branches attached, and the thousand ramifications incident to home offices ; by as much as San Francisco is ONE head-quarters, whereas New York, Philadelphia, Hartford, Boston, Baltimore, New Orleans, Cincinnati, et al., are a score or more, with local pride and local interests arrayed against one another ; by as much as your comparative isolation makes you compact and independent,—by so much, and more, have you reason for encouragement in the prosecution of a system of Local Board work, which, taking up one point after another, shall ultimate in a net-work of reforms and improvements that will continue your business in the proud position of success, of which it has heretofore so justly boasted, and furnish at the same time a reasonable solution of that much discussed and little understood insurance problem,—co-operation.

Mr. Geo. D. Dornin : I move that a vote of thanks is due and tendered to Mr. C. C. Hine for his excellent paper.

Mr. Kinne seconds the motion, and it is carried enthusiastically.

The President : Will the Vice-President please take the chair. Gentlemen, in this connection I will read Section 10 of the By-Laws, which says :—

“Such persons as may have been engaged in the Fire Insurance business, or non-residents in the business of Fire Underwriting, are eligible to membership upon a majority vote, and shall be entitled to participate in the meetings of the Association, but shall be exempted from dues and entrance fees.”

I wish this Association to do honor to Mr. Hine. Of all the gentlemen in the East to whom we addressed communications, he alone responded with a paper. He is an old insurance man and is eligible, and I move that the rules be suspended and Mr. C. C. Hine elected an Honorary member of this Association.

The motion was carried unanimously.

Mr. C. T. Hopkins : I move that the Secretary cast the ballot for the Association.

The motion was carried, and Mr. C. C. Hine was declared duly elected.

Mr. J. F. Houghton : I move that the Secretary be instructed to notify Mr. Hine of his election.

The motion was carried.

Mr. Geo. D. Dornin: I move that these papers be taken up in their order and made the subject of monthly meetings, and that the members be notified which paper will be read at each meeting; this will bring out the essence of the papers and the thoughts of the members.

The motion was carried.

The President: Colonel Kinne will now favor us with the contents of his "California Knapsack."

Mr. C. Mason Kinne: Gentlemen, this is not supposed to be a deep production, but odds and ends of such things as do not come to us in the shape of reports from committees. The following note was sent each of our members:—

EDITORIAL ROOMS, 422 CALIFORNIA STREET,  
SAN FRANCISCO, January 15, 1883.

DEAR SIR:—The Knapsack again needs replenishing. We have been dividing our stores among our comrades so lavishly, that the supply of rations is nearly exhausted; and in consequence we propose to make a raid on the talent and wit surrounding our head-quarters and see if our intellectual commissariat will not be stocked with good things as of yore.

The soldier can do better fighting when well fed; and the Knapsack is at its best when most plethoric.

The great fraternity of Specials and Adjusters make a goodly company; and now that orders are issued we expect you to *fall in promptly*.

Give us short, concise and pointed sketches of personal experience, ideas and anecdote, that the past year has stored up for you, and don't be too long about getting them ready.

The flap of the Knapsack is wide open and will so remain till February 10, 1883.

Urgently yours,

C. MASON KINNE, *Manager*.

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EDITORIAL.

In commencing another year of our existence, we have to offer the first number of the fourth volume just as it is. It ought to have been better: it might have been worse.

Let it be plainly understood by contributors and patrons alike that *our* Knapsack is not one that is piled with the rest when the battle begins, but that it is carried with us onto the skirmish line. Of course it would become burdensome were it loaded down and packed full with the varied impedimenta of the raw recruit, and the old campaigner knows just what to throw out. Luxuries for the commanding officers, but essentials only for veteran soldiers.

The Special Agent or the Adjuster is the man who is detailed for picket duty, or as one of the skirmishers, and while under fire or over it, he sees things as they are. He is not fighting the whole battle; statistics don't count for much just then. The man in his immediate front is his meat for that fight; and whether it is a slippery agent or an unjust claimant, it engrosses all his attention and his best thoughts.

The generals in the back office may direct the plan of the Battle of the Underwriters, and carry it out according to all the rules and regulations of modern insurance warfare, but without his efficient field officer to point out the dangers of the "ford" and the "pass," his infantry in the way of Tariffs, his field batteries of Statistics, and his cavalry charges of Special Ratings, all are met and demoralized and finally routed by the onslaught of partisan rangers and guerilla warriors, frantically brandishing the spear of rebates and cut rates, excessive commissions and expensive supplies.

Insurance is a peculiar business, fraught with dangers as certain as those of bullet and shell. We meet the onslaught of the fiery foe first of all; we have to bear the brunt of the battle. Every loss, imaginary or real, that can be put upon the shoulders of the insurance company, is carefully rammed home and fired with a short fuse. The adjuster now and then gets in a little good work, but ordinarily returns home feeling that he went, he saw and was conquered. His Knapsack is full of experiences, — good, bad and indifferent. He is at once a student and a teacher. Losses educate the people to insure; adjusters inform them of details and necessary preliminaries that hedge about the path of indemnity, that they never thought of before. It is a new schooling for them and the adjuster is the tutor.

But the field-man finds his capacity is of a dual character. To-day the wearied adjuster, to-morrow the worried special. Tutoring a claimant in the paths of rectitude to-day, but a few hours finds him schooling the local agent how not to cut rates and yet talk business to win. Trying to convince him that commissions for himself is not all he has to think about, and that the tariff is not the immaculate personification of insurance judgment. That Book 4, as applied to a California town or village in Eastern Oregon or Washington, is to be construed simply as a minimum guide, and not a maximum solution of what to charge for a broken frame range or a B-class building exposed by a long row of frame houses, in which cloth-lining and stove pipes predominate.

But it is not for the Knapsack to moralize. Its duty is to convey such facts and experiences as may be placed within its protecting folds, and not manufacture them; to absorb, and not-theorize. We have to give you to-day a little of all sorts; from grave to gay, from water supply in San Francisco, to whisky straight in the mountains. There might have been more; there ought to have been much more offered us from out the varied episodes in the work of our specials and adjusters, supplemented by the careful thought and wise experience emanating from those who occupy the *sanctum sanctorum*; who sit at the helm of the various ships sailing with their mingled fair winds and foul, over the troubled sea of insurance. But what we have is good, and of a character for such a receptacle; while the various committees can deal with the weighty problems of Losses and Adjustments, Forms of Policies, Statistics, etc., with suggestions thrown in of how to reform evil practices, and elevate the profession generally.

THE EDITOR.

## QUERY.

Should the cigars the Adjuster smokes be charged in Expense Account, or to Loss by Fire.

This, from a paper read by a prominent underwriter before the Association of the South, fits our climate so close that it will bear repeating.

Report says that the paper was repudiated by that Association ; and it must have been because truth is unpopular in that neighborhood.

He says of the "candid agent," Arkansas is a good place to draw an example from on this score. An agent up there offered a company a risk—a ten per center ; making a big, fat premium—in an Arkansas frame row, the character of which was so hard that it would simply have scared the average manager to death to have seen it. The company wrote back to know what especial feature recommended the risk. Agent replied that the chief thing that recommended it to him was "*the commission that was in it.*" Yours, X.

The following is a good deal better than no response at all. We thank "C" for small favors. Try again.

PORTLAND, Oregon, February 1st, 1883.

C. Mason Kinne, Esq.

MY DEAR SIR,—Your call for contributions to the California Knapsack is received.

The self-assurance and cheek of the Special Agent is proverbial ; but I am yet too young in the business to presume to offer any sketch that would be of interest or entertainment to the members of the "F. U. A."

Oregon is too slow and plodding to furnish any startling experiences ; but she can boast of more fires and larger losses to the premiums written, and more unprincipled insurance solicitors and agents than any other country on the globe. If ever I have an experience in this country of perpetual mud and slush that will be of interest to the Association, I shall be only too happy to contribute it. Wishing you a joyous reunion, I remain

Very truly yours,

C.

Editor Knapsack : If you have found, as I have, a lamentable ignorance of the most common rules, perhaps you will add to this list, which is called —

## HINTS TO AGENTS.

[ If printed on a card, why not a good thing to scatter broadcast? ]

In event of loss, telegraph the number of policy and probable amount of loss to General Agent.

Let the assured put his damaged goods in order, sorting the wet from the dry, and protecting them from further damage.

Do not assume responsibility ; use common sense ; advise and assist.

Many of your patrons think they have no right to remove or even touch their goods at time of fire. An error. It is their duty to save. The property insured belongs to the party insuring, before, at, and after a fire. Let him proceed as he would if he had no policy.

Save books of account first.

Do not consent to or make an endorsement on policy after a fire.

Office and store fixtures or furniture are not covered under the head of "stock."

Pictures, silver ware, ornaments, printed books, sheet music, and musical instruments, are not covered under the head of "household furniture." Put separate amount on each subject.

Household furniture includes carpets, curtains, bedding, crockery, glass ware, and kitchen utensils.

Awnings are not covered with brick buildings unless specially mentioned.

Give permission for fifteen days carpenter work free; after which charge as per rule in rate book.

Accept not to exceed two-thirds cash value on any subject.

Cash value is the value of "to-day" notwithstanding circumstances.

Refer all special hazards to head-quarters without binding the company.

Cancel and return policies when your judgment dictates; for instance, —

Misrepresentation on the part of the assured.

Danger from incendiarism.

When property is in the hands of sheriff.

When building is vacant.

When business is not profitable.

Render your account current the first of each month.

When rate is increased from any cause during the life of policy, collect additional premium.

Never consent to assignment except on actual sale of property insured.

The words, "Loss, if any, payable," will protect other interests.

The first payer must release his claim before a second can be recognized.

Enter every change in your register.

X. Y. Z.

[In this connection we add some of the printed instructions an ex-Special, and now Secretary, sends his agents. They, as well as the preceding ones, are all good. — ED.]

N. B. — Please be careful and give us the size of building to be insured.

ATTACHMENTS. — When property insured is attached (before a loss), immediately cancel our policies on said risk.

DISTINCTNESS. — If the signature of the assured on application is indistinct, write the name in lead-pencil on the margin.

REMITTANCES. — All remittances and letters address to the company, and not to the officers.

#### TOUCHING LOSSES.

NOTICE. — Upon receipt of information of a fire in your town or district, "At once notify the company by telegraph, giving number of policy; *where issued*; loss, if supposed total, or amount of partial; name of assured, and names of other companies interested.

INVENTORY. — Schedule immediately all property saved.

CUSTODY. — Request assured to take charge and protect property saved until loss is adjusted.

**PERISHABLE PROPERTY.** — Use all legitimate means to dry and preserve property damaged. Iron and Hardware have dried by rolling in bran or shorts to prevent rusting. Cigars, tobacco, dry and fancy goods, clothing, linen-ware and such, expose to air to dry.

**SUSPICIOUS CIRCUMSTANCES.** — Take the name and address of every person who knows or professes to know anything about the fire, and note all the facts relating thereto.

**PROOFS OF LOSS.** — Should an assured file proofs and a statement of loss with you before the arrival of the Adjuster, "At once notify him that you have no authority to receive and accept the same; but, if he desires, you will hold and deliver them to the adjuster of the company for him, upon the adjuster's arrival; and that the assured must furnish said company such further statements and proofs as the said adjuster may require, the company waiving none of the conditions of its policy or objections to the receipt of said proofs, or their correctness."

**INSTRUCTIONS.** — Whenever in doubt on any point relating to your conduct at time of a loss, telegraph us for information and instructions.

**WATCHMAN.** — When property saved and in a damaged condition amounts to over \$1,000, put on a responsible watchman until the adjuster arrives; and no outsiders must be allowed on the premises, or to handle said property, excepting those designated by the assured to assist in separating the damaged stock from the sound, and to save and protect his property from further injury, or to take an account thereof. P.

#### A LESSON IN RATING.

Recently in a small village I was accosted by a local agent of a prominent Connecticut company, and requested to settle a dispute, viz. :—

"What is the rate on a detached frame dwelling?"

"Seventy-five cents," I said.

"Well, I mean a dwelling without fresco," he answered.

"Without fresco? Please explain."

Said he, "under alphabetical table of hazard, page 12 of rate book, I read: Frame Dwellings, see frescoed work; D class; 75 cents; now, if you can't see any frescoed work, what then?"

Sadly I turned to the other man, and asked, "What is your idea?"

"Well, I claim that under rule on page 4,—All frame buildings rate  $2\frac{1}{2}\%$ ," he replied. Explanation follows: "Confound it, my company has insured my own dwelling for the last three years at  $2\frac{1}{2}\%$  per annum, and never told me I was wrong."

X. Y. Z.

#### GETTING BOARD RATES.

It is said there is nothing new under the "Sun." Here is the last in the way of getting Board rates:—

Property insured: a two-story brick building, occupied as a butcher shop on the first floor, and dwelling on the second.

Dwelling rate, .50. Butcher shop rate 1 %.

Copy of policy:—

\$.....on his two-story metal-roof brick building, occupied as a dwelling, situate.....corner of.....and.....streets, town of.....county of....., California.

Term, 1 year. Rate, 50 cents. Premium, \$.....

"Permission granted to cut and sell cold meats on first floor, day time and evenings."  
Yours, X.

[The above is a true fact and speaks for itself. — ED.]

#### HOW OUR LOSS WAS FINALLY SETTLED.

If you should search the whole world through you would fail to find such another united family as ours. Our love for grandmother is woven in with our daily lives. Left without father or mother at a tender age, she became to us, at once guardian, parent, adviser, friend. We are three children, — Charlie, just coming of age; Kate, two years younger, and I, "sentimental sixteen." From infancy that blessed grandmother has nursed us through sickness, conquered our stubborn pride by loving means, and instilled into us habits of industry and economy. We lived in the family mansion of the old Harkinson estate, a few miles from town; just a few acres of ground, with a fine chestnut grove leading to the house, a well-kept garden, and two or three out-buildings; but oh! how dear to us. Perhaps you think this a strange story for the Knapsack — wait and see. On the 27th of December, only two nights after Christmas, we were scared out of our sleep and bundled out of the house helter-skelter. "Fire! fire!" was all we heard. Wrapped in odds and ends of blankets, table-covers and overcoats, we watched that dear old home melt away. Huddled together at the dairy-house window we saw the angry flames, and saw the cause of them, too, — an earthenware chimney! Heat within and cold air without had cracked it just below the roof; no knowing how long it had smouldered.

Even in our terror we noticed the most ridiculous incidents. We saw that what was brought out of the house was mostly of no value; nothing was complete; *something* was gone from everything.

Of course there was insurance. Charlie informed us with pride that he had attended to the matter *himself*; grandmother was beginning to trust matters of business to his care.

Well, next day we knew no more what do than so many kittens. The local agent of the insurance company was dead, and we had to call in grandmother's lawyer, who notified the company. Next came an elegant-looking young gentleman to adjust the loss. He was so kind and explained everything with such ease, he quite filled us with admiration. We had a builder's estimate and an appraisal, and made out a long list of all that dear old furniture, and the adjuster helped; and when he said, "let me look at the policy, please," Charlie produced it with quite an air, as if to say, "I am the business man here." After a look he said, "I want the last policy." "Last one?" said Charley, "last one — why *that is* the last one." "Oh, no," said he, "this expired in July." "Expired?" said Charlie, turning pale, "expired — *that's all the policy* there is."

Oh, dear ! such another time you never saw. Charlie was as limp as a caterpillar. We brought ammonia and cologne and handed him over to grandmother. Throughout this trying scene the adjuster seemed to do just the right thing at the right time, and said good-bye, leaving us with the impression that we had cruelly deceived him. When the lawyer told us we had no claim, you may be sure we were a solemn quartette. Then it was for the first time we learned how grandmother, in the love of her dear heart, had educated us, clothed us, and reared us at the expense of her own little fortune, which was nearly spent. How the Harkinson estate yielded nothing ; and in her extremity she had no one to turn to but God. Then it was we children put our talents to good use. Kate painted water-color sketches, which sold quickly ; I formed a music class, and Charlie, — well, Charlie seemed suddenly to become a man ; not that he changed much in appearance, but his upper lip seemed to become perfectly straight, which gave a determined expression to the whole face. One day he told us he had talked with the president of the insurance company, and was to meet the board of directors. What for ? Well, he hardly knew ; there was some awful mistake about the whole miserable business, and he could not rest until he had tried to unravel it.

The day came — he stated his case to those twelve men as I have told it to you ; his whole heart was in the story, and he only faltered when he spoke of the wrong he had done grandmother. The Directors were interested. Said one : “ Why, if the policy had expired, did you send an adjuster ? ” This to the Secretary, who answered : “ The property has been insured with the company for years and renewed annually ; the adjuster was sent at once without consulting the books.”

“ Was there no application for this policy ? ” asked another.

“ No ; here is the only application ; the original, marked *renewed*, you will see from year to year.”

“ If the agent who took the risk were alive,” said Charlie, “ I am sure he could explain the matter.” One old gentleman who had quietly watched proceedings asked if the agent had not written a letter ordering the policy renewed.

The Secretary retired a moment and brought in a file of letters ; selecting two, he glanced over them, and, with a slightly changed color, asked to see the policy ; then, with a dry little cough, he said : —

“ Gentlemen, the mystery is solved ; this policy was ordered renewed for *three years*. By this application you see the *annual* rate ; the amount of premium paid on the policy is double the annual rate, or what we call a three years’ rate ; clearly a clerical error on the part of the policy-writer.”

*Well !* if it had been a matter of life and death, I don’t believe there could have been more joy manifested. Talk about corporations not having souls ; those men congratulated Charlie, and shook hands all around with enthusiasm ; and the President, laying his broad palm on Charlie’s shoulder, said : “ Young man, there is a vacancy in my office for just such a boy as you, and who knows but some day you may fill that chair,” pointing to his vacant seat.

Out came the nice young adjuster again with proofs of loss, and a check for \$5,000 ; and weren’t we happy ?

And since that day the young adjuster and I have agreed to a contract of our own, requiring certain proofs — of affection. But that is neither here nor there.

The following has already been honored by appearing in print, but is pointed enough to bear reading again :—

GOING FOR HER BALDHEADED.

A certain officer recently received a report of a policy written, covering, among others, this item : "\$150 on her wigs, braids, puffs, rolls, curls, and other hair for her personal use, etc."

The particular old covey, the presiding genius of said office, exhibited an *alarming* ignorance of the subject in writing the agent as follows : "This is an uncommon item ; and as we find no blanks for an appropriate survey, you will please speedily answer following interrogations : What color is the hair ? and if red, decline. Is assured married or single ? If married, is her husband quick-tempered ? Does she 'fire up' quickly herself ? If single, has she beaux, and do they smoke ? Does she use a spark arrester ? Is she a church member, and does her pastor smoke ? Does *she* smoke ? Is she near-sighted or cross-eyed, and are her dressing-mirror lights globed or basketed ? Is she a match-maker, and is she subject to 'em ? Is she a cremationist ? Has she sparkling eyes, and is she an heiress ? (Does not seem to be hair-less.) Limit degree of heat of curling irons and toilet chemicals to bay water and champagne, and not more hazardous. Strike out lightning clause if steel hair-pins are used, and make policy cease at death—that is not good on hairs to heirs in any hereafter place. Celluloid pins, back-combs, bang-supporters, and other articles prohibited, and power limited to twenty-five pounds in metal packages. If any moral hazard or enemies, decline."

A MERCED COUNTY DAY-BOOK.

The following is handed in by one of "ours," and goes to show with what good things the Knapsack might be filled, if each of us would take the pains to jot down the amusing part of his experiences :—

DEAR KNAPSACK :—I hand you some actual notes from the day-book of a Merced County claimant, made while trying to arrive at his loss last summer. He made a diary of daily experiences of this book, and of which the following are a few extracts :—

JUNE 2, 1882.

Mrs. Brown—

10 yds. Calico . . . . .	\$1.00
By 2 pds. Butter . . . . .	.50
Balance . . . . .	.50

Am going to Merced to a ball with Lena to-morrow night.

JUNE 4, 1882.

William Stevens—

1 pr. Boots . . . . .	\$3.00
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These boots came from the "United Workingmen's" at 'Frisco, and give satisfaction all around.

Alex Whitman—

1 Jumper . . . . .	.87½
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Speaking of "Jumpers," I took Lena to the ball last night, in my new gig. Staid until 3 o'clock this morning. Had ice-cream and cake at Johnnie Smith's. Cost 50c. apiece. Charge expense account for whole thing, \$2.60.

Lucky I came home this morning; the sow littered last night — 9 pigs, all boars.

## JUNE 6TH.

Mary Anderson—

1 Box Hairpins .....	.10
1 pr. Shoe-Strings .....	.05
1 pr. Drawers .....	1.15
1 Dung Fork .....	3.50
	<hr/>
	\$4.80
By 10 doz. Eggs .....	2.00
	<hr/>
Balance .....	\$2.80

Thermometer, 98°. Old sow not doing well.

## JUNE 8TH.

No sales to-day.

Lena came in this afternoon. Had a good time. Shall marry this girl sure, if things go on this way. Gave her a pair of garters.

Charge expense ..... .15

## JUNE 10TH.

Mrs. Allison—

5 yds. Sheeting .....	\$1.00
1 pr. Shoes .....	2.50
1 Corset Lace .....	.10
	<hr/>
	\$3.60

The old sow died last night. It was mournful to hear the poor pigs lament the loss of their mother.

I have the honor, etc.,

ONE OF THE RANK AND FILE.

[The Knapsack is pleased to announce that the above-mentioned claimant has since married the girl.]

The following rythmetical sketch of what will occur to-morrow night has been ground out by our poetic assistant; and, in anticipation, portrays the scene which will follow this feast of reason when the battle of knives and forks begins.

## IN MEMORIAM.

ANNUAL BANQUET, FEB. 21ST, 1882.

At "Dingeon's" when the sun was low,  
All fiery was the kitchen's glow;  
And swift and savory was the flow  
Of *potage* boiling rapidly.

But Dingeon saw another sight,  
When the gong struck at seven that night,  
Commanding jets of gas to light  
The Pacific Fire fraternity.

Then rang the halls with orders given,  
Then waiters rushed by "specials" driven;  
And swifter than the bolts of Heaven  
The "boys" were seated merrily.

By host and waiters fast arrayed,  
The "adjuster" drew his shining blade,  
And, *sans formality*, made raid  
On all in his vicinity.

The banquet deepens! on ye brave!  
Fear not dyspepsia or the grave;  
Wave Leon, all thy napkins wave,  
And "charge" with strict impunity.

Ah! all must part, though many meet;  
But months roll round with flying feet;  
And thus again we hope to greet  
Our seventh anniversary.

U.

#### A CASE OF ARSON.

About midnight, not many months ago, the clanging of the fire alarm bell and the ruddy emblazoning of the fog overhead, called the citizens of Gilroy from their beds.

Breathless and hurriedly they gathered from all points, and while some did service in the way of aiding to remove a \$400 stock from the locality describing a \$1,500 policy, others resolved themselves into the invariable "standing committee" on the sidewalk. As one small group of the numerous body was conversing about the peculiarity of the matter and of the many suspicious attending circumstances, one of the party said, in a manner showing he was in earnest, "Well, I'm satisfied that's an incendiary fire."

This seemed to be a safe proposition, but somehow did not exactly meet the exigencies of the case in the mind of a rough-looking stranger near by, who excitedly broke out with the exclamation, "Incendiary be d—d; somebody *set it afire!*"

#### EMBARRASSING.

To bluff an assessor in a country town regarding a taxable valuation, and be compelled to look the same man in the face a few days after, when he is acting as adjuster for the company in which you are insured.

#### A "BAR" STORY.

Limber Jim Witherspoon was a character. Physically he was weak-kneed, and hence his nickname; but mentally he stood pat on the most astounding and intricate propositions. He prided himself on a latent genius which did not find full scope for its exhibition in the menial occupation of wood-sawing; but he patiently bided the time when "Limber Jim Witherspoon" should be a name that would awaken the envy of the world. His time came. Having artistically arranged the stove wood of the camp so that the usual proportion of sticks would

be just long enough to prevent the shutting of the stove-door unless they were driven through the other end of the heating apparatus with a sledge, he betook himself to the mountains, at the head of Grizzly Gulch, intent upon chopping government timber for the benefit of his own private and diminutive exchequer. The air was cold, and braced him up to that extent that he was compelled, in order to keep from freezing, to put more energy into the building of his cabin than he had ever been accused of before. Even the seams of his cheap clothing, entirely unaccustomed to such antics, began to laugh as he plied his lusty strokes; and so Jim worked the harder — with death behind him Jim *could* work.

That was a luxurious rest that he enjoyed as he spread his blankets before the fire and watched the blaze roar up the chimney during the week after the cabin was finished. He had not yet chopped any wood for market: it was "too darnation cold," as he expressed it, and he "guessed they'd have a chinook pretty soon," so that the weather would be fit for a white man to stir around in. So, between his naps and his meals and his day dreams, he "puttered" around inside the cabin, trying to make it comfortable by the addition of such improvements as would commend themselves to a man of his genteel predilections. One of the most indispensable articles to a person of his tastes was a table; and, as the roaring fire had sufficiently thawed out the frozen floor of the cabin, he straightway dug the holes for the table legs. He wondered, now, if there might not be some gold in the dirt that came out of those holes. It was still awful cold outside, and he guessed it would be easier to stay inside and experiment than to go outside and work. Of course he had a pan with him (no outfit was, in those days, complete without one). Now, Jim was one of the most "patient" men with his hands that was ever seen. There was no nervousness, no hurry, and he seemed to be humming a gentle lullaby to his pan as he sleepily moved it to and fro with a "go-to-sleep-my-baby" motion, that now and then allowed a spoonful of amber-colored water to slop over, but often didn't.

The next day was colder than ever, but Jim was out doors. All his worldly possessions were on his back, and he was headed for town. The "prospect" from the bed-post holes had confirmed the suspicion raised by the table-leg holes that he was a rich man. He had in his pocket a few grains of gold to prove his statement, that he had struck diggings that would "go a bit to the pan." He did not, however, make his discovery known upon his arrival in camp, but essayed his old occupation of wood-sawing. To his dismay he found that during his absence his old customers, unable to get along without the warning influences of the profanity which his long sticks promoted, had been hiring a swarm of Chinamen that had come freezing with the last blizzard into camp. It was not until the dust in his sack required a plentiful admixture of black sand in order to make it hold out "four bits" that Jim became desperate and appealed to his old employers and to his old associates to give their own flesh and blood a chance. The result was that the Chinamen were "run out" of town; and as Jim saw them winding their way along the Grizzly Gulch trail that he had so recently traveled, he concluded that the balance of that day should be set apart by him as a season of rest and thanksgiving. But from that time on it was noted that Jim tried, in a forlorn hope sort of a way, to infuse more energy into his work than ever before; and when, at the close of winter, he engaged to "whack bulls" to Fort Benton, it was surmised that it was something more than the usually lonely

plug of tobacco that swelled his off-pocket to its exceptionally well-developed proportions. Fortunately the bulls of Jim's team had been grazing on icicles all winter, so he had no difficulty in keeping up with them, and he arrived at Fort Benton in time to work; or, perhaps, we should say, "wash" his way down the river as dish-cleaner on the steamer *Octavia*. The June rise made the waters of the river thick with mud, so that the sepia representations of cloud-bursts and murky weather generally, that appeared on Jim's "plaques" were generously attributed to the mud, rather than to his laziness. So he was not thrown overboard but arrived at Yankton all right. Here he found more good luck awaiting him. A considerable section of land which he had taken up one day, several years before, when it was too hot to work, had become very valuable, and he found himself at once in a position to put into effect the scheme which he had kept secret in his breast ever since the day when he had prospected in the table leg shaft.

It took some time to have his apparatus manufactured; and it was not until one year later that he was on his way up the Missouri River with an iron pipe, a foot in diameter and a half a mile in length, with which, when placed in a "V" shape, he proposed conducting the only available water down one side of Grizzly Gulch and up the other, on to "Witherspoon's Bar." \* \* \* \* \* How his spurs jingled as he gave his horse's bit an extra twitch while riding at the head of the bull train bearing his "machinery" through the old camp where the buck-saw and the accompanying horse, without a horse, were his familiars. On the way up the gulch the occurrences of eighteen months before were recalled by the appearance of a straggling band of Chinamen staggering along under their heavy burdens. Were these ever his competitors? Well, even if they were, that time was now passed forever; and Jim eagerly hastened forward to the turn in the gulch which should bring with him in sight of his fortune.

A drizzling rain set in, and the night closed in thick and dark upon him and his train earlier than they had anticipated. Still they pressed on, for Jim was certain of his road, and knew that they would reach their destination in a few rods more. Soon, however, the road became so rough and rocky that they were compelled to halt and await the grey of the morning before proceeding further. The morning came, and for once Jim was up before the sun. He found himself standing on a slippery boulder, rubbing his eyes and gazing upon other slippery boulders and rocks and gravel, wet with the rain of the previous night, that made up a picture of monotonous desolation unrelieved save by the ruins of a single cabin that seemed to have been only recently undermined and toppled over by its last occupants. Little shelves and other conveniences were still attached to the logs which formerly composed its sides, and, as broke the day, so broke upon Jim's intellect the realization that he stood upon what was left of "Witherspoon's Bar."

What became of him nobody knows. His gaunt outlines, with more limber pace than ever, were last seen in bold relief against the morning sun, as he passed over the "divide" to Hell Gate Cañon.

Now, all this has nothing to do with insurance; but when the Knapsack told me yesterday that I must have something for its columns, I thought of Limber Jim, who had his "field" all worked out "by hand" by a lot of Chinamen, who utilized the waters from the melting snow, while he was getting ready to do the

work on a grand scale by the aid of magnificent machinery; and I wondered whether I could not make the story fit the case of the insurance agent who wants a half column "ad" in the village paper, a big sign, allowance for office rent, power to appoint "subs," a bushel of blotters, and who never gets through wanting *something* before he gets ready to go to work. I will rely upon the intelligence of the reader to trace the simile without a "diagram." C.

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#### WHAT'S THE USE?

The Knapsack has proportions large enough and capacity ample enough, not to be compelled to turn its microscopic eye in every direction to see things as they are. The real Knapsack is essential to the soldier, and the old soldier is a constitutional growler; *ergo*, the California Knapsack has *its* growl.

What's the use of our getting together here semi-occasionally, unless some good comes of all this preparation,—this grouping of the thoughts and ideas that bother us during the year. What's the use of one writing and reading his paper here unless something results from it?

We'll listen to the emanations of our *Pope* on Local Agents to-day, and, at the risk of excommunication, whip the devil around the stump in some way so as to steal our neighbor's best agent to-morrow.

Chalmers will tell us what he thinks about the best way of a-Dornin our policies with proper forms; and then some smart Aleck will sneak in a permission in a policy covering a frame dwelling, so that a horse and cow may be kept in the basement.

Despite the advice given us by our Clark on Losses and Adjustments, you're pretty apt to go right out and adjust your loss to suit yourself and apply the rule that works the best for you in the apportionment when it comes to contributing to paying under a non-concurrent policy, or dividing the expenses of a mutually contested case.

Mitchell tell us what articles should be considered *Staples* when it comes to Legislation and Taxation; and then somebody will advise trotting the "sack" up to Sacramento to stay the onslaught of Solons who know more about whisky straight than valued policies; more about draw-poker than equitable taxation; of ward clubs than re-insurance; representatives who talk and vote, vote early and vote often, returning to their constituents with a calm complacency of a duty well performed, and brag of how they cinched the insurance companies.

Our Chairman of the Committee on Fire Department and Water Supply, he of the sepulchral name but genial features, who believes in live issues and not those requiring the attention of a *Sexton*, gives you new ideas of the subject, and how we bleed ourselves to pay for the services of a Fire Patrol that the dear public may reap an unrequited benefit; and at the next meeting of the Board the assessment comes in and is paid without a murmur.

We find it a *Cole* day for Statistics when he and Baily get down to real warm work in the matter; and yet you go on writing up "Specials" and bob-tail ranges with a comfort only based in the big premiums they represent.

Our Library evinces the *Spencerian* system of getting volumes in great profusion without cost to the Association, which is heartily to be commended, but only results in our being possessed of a nice case of books, but seldom referred to,

and is mainly advantageous in enabling us to say, "we have the finest insurance library on the coast."

Grant, the President, has told you about "bringing good into the business," and gives all kinds of fatherly advice; and yet you'll pounce on a North British or German-American risk next week and laugh with glee as the genial George stands aghast at your effrontery.

We listen to good advice about excessive commissions ruining the business, and then some fair-faced philanthropist will issue a 10 % city policy through a 20 % Oakland agency, and beat the best of us.

We're jolly good friends, and the best of business enemies; there's many a way to skin a cat past finding out; and so the Knapsack concludes as it began, — *what's the use!*

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The President: We will now return to the solid part of our programme. Mr. W. J. Landers will read his paper on the Peril of Using Benzine in Canning Establishments.

After a few pleasant introductory remarks, Mr. Landers reads:

#### THE PERIL OF USING BENZINE IN CANNING ESTABLISHMENTS.

Within a few months two large salmon canneries have burned under circumstances so alike as to lead to a personal investigation of the probable cause, and the result is now before you.

From a general knowledge of the reputation enjoyed by the parties chiefly interested, and the sworn testimony taken on the spot by the gentlemen engaged in adjusting the losses, it is perfectly safe to premise that the fires were not of incendiary origin; that in each case the business of the day had closed; that the watchmen were respectively on hand at the usual hour of 6 P. M., and that they had passed through the buildings according to their custom, and saw no evidence of fire; apparently everything was in order.

Concerning the Cutting Packing Company's fire, Manager Tallent testified that when it occurred he was in the front room of his dwelling, and started for the cannery, when he saw it was *on fire inside*; that he was in the building about an hour before and there was no one in it excepting the watchman and some boys labeling, and that these boys were not at work near the place where the fire started; and finally, that there were no lights except *lanterns hanging to the ceiling* on hooks.

Watchman Beckwith testified that just before the time of the fire, which took place at 9:30 P. M., he had gone through the building, and at the time was inside in the packing room near the office door. To use his own words, he said: "*The fire was in the lacquering department.* There was no fire used in that part of the building. The fire had just started when I saw it first; it was running up the side of the building, and ran very rapidly; there had been no one in that part of the building since six o'clock; I do not smoke, and never allow any one to smoke in the building. I have no idea how the fire occurred."

These two witnesses were clear and to the point, and where their testimony, so to speak, runs together it agrees and should be accepted as trustworthy in every way.

The points are, as I indicated in the beginning, — business had ceased; no one was near where the fire started; no fires were in use in the lacquering department, and no lights were in use except lanterns mentioned as hanging to the ceiling by hooks. An incendiary could hardly have approached this part of the building and prepared a fire at that early hour without being discovered; and my reasonable conclusion from the testimony is that the fire *started as stated, in the lacquering room*; and my judgment is that it was occasioned by the *evaporation or vapor of the benzine* used to reduce the varnish or lacquer, *coming into contact with fire*, the process and result of which I will further describe later on.

#### ANOTHER ILLUSTRATION.

Foreman Davidson, of the Bay View Cannery, owned by the Ocean Packing Company, testified that the fire occurred at 7:30 P. M., and that the men had quit work at six o'clock, excepting two men in the bath-room (which was a separate building twenty or thirty feet from the main cannery between it and the river). To use his words, he said: "I was coming from the bath-room when I discovered the fire; I saw the smoke coming over the roof (of the cannery) and thought it was a steamboat; before I got to the building I discovered that the building was on fire in the roof. The fire had not broken through the roof, but smoke was coming through. I commenced throwing water from the barrels on the roof. I came down and went into the building, and found the fire spreading rapidly. *It was confined to the inside of the roof*; there was no fire on the side of the building, but it spread rapidly. I have no idea of the cause of the fire. There was a watchman on duty at the time the fire occurred."

Watchman Sieverts testified as follows: "I went on duty at 6 o'clock P. M.; passed through the tin shop and the upstairs of the building which was burned, and saw no indications of fire at that time; then passed on into other portions of the building. Between 7 and 7:30 P. M. was in the packing room, when I heard the cry of fire. I ran upstairs and found the roof in a blaze; but it spread so rapidly I could do nothing with it. Had water and buckets at hand, but was unable to do anything with the fire." This concluded the testimony.

It is here in order to explain that the lacquering department of this cannery was directly between the bath-room, from which the foreman emerged and first saw the smoke, and the river; and the presumption is fair that IT WAS FROM THIS PARTICULAR DEPARTMENT THAT THE FIRE ORIGINATED.

With this explanation it will answer to go back over the particulars of this fire and see how nearly they approach those attending the other. It will be seen here also that the usual precautions were taken; and the hour and circumstances forbid the approach of any one from the outside; work had ceased, and the watchman was on duty in the building; and from all of the circumstances my conclusion is the same; viz., that this fire, like the other, was occasioned by the use of benzine.

*Method and purposes served in using the article.* — Lacquer or varnish is applied cold to the cans or tins, which have previously been filled with fish and cooked, tested and otherwise prepared for coating or glazing, which is the last process through which they pass prior to being labeled and cased for the market.

When purchased, the lacquer is thick and stands a considerable thinning, which, until quite recently, has been done with turpentine. Several years ago it was found that the more dangerous but less costly article of benzine would answer the purpose, and since then this has gradually come into use; and now it would appear that very nearly all of the canneries have done away with turpentine.

The lacquer of original strength is mixed with benzine in tanks, which vary in size; some are about three and a half feet wide by five and a half feet long and twelve inches high, standing on low wheels; and a good authority places the quantity usually prepared for a day's work in a good-sized cannery at seventy-five gallons, which would probably consist of benzine and lacquer in equal parts, so that we may assume that *as high as thirty-seven and a half gallons of benzine are exposed* and used from during the day; and perhaps a goodly part remains over when work ceases and the building is closed. The point is, *what becomes of the vapor from such a quantity, and would cannery owners or underwriters knowingly permit the use of benzine when the danger brought about by handling and evaporation is made known.*

To resume, it is further said to be the custom to mix by daylight only; and the aim is to use up what is made during the day. Sometimes, however, more or less will lay over night, and the tank is then said to be closed by covering the top with a canvas. The cans are dipped and set to drip in a frame fixed on the top of the tank and arranged so as to allow the drippings to return thereto.

Next, the cars are piled up conveniently near, and allowed to thoroughly dry; meanwhile a new lot is commenced on; and, if necessary, the tank is moved to another part of the room.

Benzine is used because it is cheaper, costing at the present time about seventeen and a half cents per gallon, as against say sixty to seventy-five cents for turpentine; but it is admitted that the difference is not nearly so great as the range in price would indicate, since turpentine, at double or more the price of benzine, would be more economical because it goes further; *i. e.*, less evaporation; and it is to this feature of the business that I attribute the loss of two valuable properties within a few months.

Underwriters are accustomed to estimate the hazard of a cannery to be the use of "fire-pots," or forges, steam boilers and pipes, boat repairing and sometimes boat making, box making, or the putting of the same together, lacquer and lacquering with turpentine, and other features usually attending a factory or establishment employing a considerable number of people; a greater hazard, however, than any one and perhaps all of the items enumerated, has been added, and no one of us knows exactly when or where it was first introduced; it may now be said to have "burned itself into notice."

The Board of Underwriters went so far some months ago as to reduce the rate upon canneries something like twenty-five per cent, basing their action wholly upon the favorable experience of previous years, and certainly without having before them the important feature in reference to which an active discussion has more recently been going on before their most important committee.

Upon the other hand, as a class, the owners of canneries are careful, prudent people, and in admitting such an article as benzine upon their premises have undoubtedly taken several precautions; for instance, lights are mostly forbidden near the tanks; the work is done by daylight only, and it is common for their

supply of benzine to be kept outside of the building; and the tank is likewise sometimes covered with a canvas at night; but while due credit must be given for these, it is a grave question whether any attention whatever has been paid to the vapor which is constantly given off other than perhaps keeping the doors open while the lacquer is being used; and this, I will presently show, is quite insufficient.

The question of SAFETY is to them as well as to underwriters one which will command proper attention; and, as this report is made between seasons, there is plenty of time to consider and make any necessary change in the present method of lacquering cans.

I will endeavor to point out as shortly as possible why benzine and its vapor is dangerous.

*The danger attending the use of benzine* in any form is well known to all, but perhaps by none better than the makers of it: and to the underwriters who refuse to insure it in quantities; and by city and town authorities, by whom it is generally discriminated against; also to firemen, who are thoroughly afraid of it.

*Benzine* is one of the distillations of petroleum; speaking without exactness or reference to each and every product of petroleum, as known to scientists and producers, the important distillations commence with the lightest and most dangerous. First may be mentioned *Rhigolene*, an article used as an anesthetic in surgical operations; this, one might say, is almost all vapor and hard to confine in any temperature. Next but one comes *Gasolene*, the properties and purposes of which are pretty well understood; the next distillation is *Benzine*; and of it, it is safe to say that the oil evaporates and mixes with the surrounding atmosphere at the ordinary temperature of a room; next comes *Naptha*, and later on, *Kerosene*; and, lastly, oil used for lubricating. To return to *Benzine*: it occurred to me that when the lacquer absorbed its quota of benzine, even up to 50 %, that some would claim the mixture would, as a body, hold the benzine, and prevent any material evaporation, and would further be safer than benzine, and, as a mixture, would not take fire at an ordinary temperature, the same as the original article.

To test this, I procured a sample of reduced lacquer from a well-known cannery on the Sacramento River, and asked Fire Marshal Durkee to treat it as he would coal oil suspected of being below the legal "110" standard.

I will explain the method of testing coal oil, and add right here, that its purpose is to ascertain at what temperature it will readily evaporate and mix with the surrounding air and ignite by a lighted match passed over the vessel containing same.

The usual test for coal oil is to pour a small quantity into a cup or vessel, and after placing a thermometer therein, a small alcohol flame or jet is placed beneath, and as the temperature rises to somewhere near the degree at which the oil ought to "flash" or take fire, a match is lighted and waived over the cup or vessel, and this is done UNTIL THE TEMPERATURE BECOMES KNOWN by the oil flashing or taking fire from the match.

The Fire Marshal reported that my sample of reduced lacquer acted just as benzine would; that so far from requiring a flame to increase the temperature, it went off, or flashed without; and, as a further test, we together poured out a small quantity, and it ignited readily from a match passed just above it.

It may here be said, "well, any one who would pass a match near oil or benzine would be foolhardy;" but the answer is that the safety of using any oil made from petroleum depends upon its standing the test of a temperature well above that of a room, large or small, where lights or fires are in use.

Benzine by itself, or contained in the lacquer, can be relied upon to evaporate in a room of ordinary temperature; the vapor composed of four well-known constituents being heavier than common air first falls to and rolls along the floor; soon after it begins to mix with the air, and will not, according to the well-settled laws relating to the "diffusion of gases," be very long in finding its way to any light or fire in the same place. *It is not a question whether it is safe to bring a light near Benzine, as the vapor from it will seek the light.*

NATURALLY THE SURROUNDINGS LARGELY GOVERN IN SUCH MATTERS; the size of the room or building; the quantity of benzine required to furnish the necessary amount of vapor; whether the place is closed up or open; its temperature and other points must be considered; and in a paper of this kind it is difficult to cover the ground with any degree of satisfaction; but it is enough to mention that these various conditions are likely at times to be present in the lacquering department of a cannery, and were probably so in the two instances herein referred to. Both places had closed up, and their confined cubic contents would favor a diffusion of vapor from the lacquer tank and from cans lacquered towards the close of the day. One, certainly, and probably both, had lights, banked fires or imperfectly put out fires in the tin-shop; and the accumulation and passage of vapor to the nearest of these would cause the kind of a fire described in the testimony.

It may be suggested that if the vapor was present in quantity sufficient to produce a fire, would not the watchman have observed this? The answer to this is that they were probably accustomed to the smell in the lacquering department, and would hardly notice an increase of the odor; and besides this, an able professor in chemistry, to whom I put the question, was unable to say whether the vapor of benzine, being heavier than ordinary air, might not be present and well distributed over the floor surface of a room without a person walking through the room with his head at the ordinary height detecting its presence.

In conclusion, I will say that in my opinion canners can continue to use benzine if extra precautions are taken; but it is essential that the lacquering be done in a separate building with at least two sides or ends entirely open; also, *instead of having lacquer tanks on wheels, they had better put their cans on wheels*, and thus enhance the safety of their property by the extra handling.

I recommend, also, that the Underwriters take such steps as will bring to their notice the danger and consequent risk, feeling assured that, if this is done, the desired remedy will be arranged for between now and the next season.

Mr. J. D. Baily: In the absence of Mr. O. H. Cole, I have been requested to read his paper on "Statistics."

## O. H. COLE'S PAPER ON STATISTICS.

TO THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC:—Gentlemen: In presenting our report for 1882, your committee crave your indulgence for any and all errors and omissions, begging to remind you that much work and many figures are necessary to the attainment of even limited results in a statistical line.

To your committee of three years ago belongs the credit of originating a tabular system, eminently well adapted to our use, which system was continued by the next succeeding committee, and to which, as will be observed, this committee has added the requisite data for the past two years. In addition thereto we have arranged a comparative statement of premiums and losses of the entire Coast for the years 1881 and 1882.

With no desire to dwell at length upon any particular point connected with these tables, we leave the whole to your careful attention, believing that the results as shown will prove interesting and possibly instructive. A few remarks, however, might not be amiss; and we would invite your attention to a few of the more salient points in interest. Whilst the premium account for the State and city shows a gradual yearly increase, and the gross premium receipts for the entire Coast reveal a gain of some half a million (which gain, however, is to a certain extent due to the transfer of many of the Territorial Agencies from Chicago to the San Francisco General Office), yet the losses accruing under this seeming improvement have been augmented, not only to a very considerable extent in our own State, but to a very noticeable figure when is considered the business of the Coast, and wherein said losses are seen to exceed by nearly a million of dollars those of the preceding year; or viewed in another light, THE INCREASE OF LOSS OVER INCREASE OF PREMIUM IS NEARLY ONE HUNDRED PER CENT.

The percentage of loss to premium in California exceeds by seven per cent the highest corresponding loss ratio during the last seven years, whilst the percentage of loss to premium on the entire Coast exceeds the percentage of the State nine per cent, and is thirteen and a half per cent greater than the ratio for the same territory in the previous year.

Official returns by 148 American companies show a profit of \$3,891,000, or but  $7\frac{1}{2}$  % on an income of \$51,879,390, in which income, however, is embraced not only premiums received, but interest on \$131,650,000 invested funds (capital and surplus), which item of itself is of no small moment; and the result shows an income of but 3 % on the investment. This may possibly suffice for United States Bonds, but is hardly adequate for insurance. It can truly be said that the companies have had a bad year; yet who can say but that the present year may prove as disastrous in its results as was its predecessor; for surely 1883 started off with a lively gait, which has thus far been well maintained, doing its full share in continuing the already lengthy list of disaster and ruin.

It is the province of this committee to present certain data for your consideration; this done, we are hardly expected to argue causes. We will therefore return our thanks to the "Coast Review," to Fire Marshal Durkee, to Capt. White, of the Fire Patrol, and to other friends, for valuable information, and leave our report in your hands, in the hope that from its contents you may glean some little comfort and instruction, or profit, in some sense, from the results as shown.

# Comparative Table of City and Country (San Francisco and California) Business.

AMOUNT OF FIRE INSURANCE PREMIUMS FOR 1878, 1879, 1880, 1881 and 1882, AND PER CENT OF SAME RECEIVED BY EACH CLASS OF COMPANIES.

COMPANIES.	PREMIUMS, 1878.						PREMIUMS, 1879.						PREMIUMS, 1880.						PREMIUMS, 1881.						PREMIUMS, 1882.					
	State.		City.		Per cent.		State.		City.		Per cent.		State.		City.		Per cent.		State.		City.		Per cent.		State.		City.		Per cent.	
	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.		
California	\$491,361 23	23	\$404,547 23	23	\$ 895,908 25	25	\$467,125 27	27	\$341,879 20	20	\$ 809,004 24	24	\$542,355 28	28	\$339,376 20	20	\$ 881,732 24	24	\$546,024 27	27	\$338,444 20	20	\$ 884,468 23	23	\$631,390 29	29	\$337,007 18	18	\$ 968,397 24	24
Eastern	453,949 25	25	421,382 24	24	875,331 25	25	514,938 30	30	442,062 26	26	956,990 23	23	593,470 31	31	469,070 28	28	1,064,541 29	29	655,708 32	32	512,938 30	30	1,168,646 31	31	671,559 31	31	528,998 29	29	1,200,557 30	30
Foreign	832,234 47	47	936,048 53	53	1,768,282 50	50	761,285 43	43	905,725 54	54	1,667,010 48	48	786,403 41	41	887,090 52	52	1,673,993 47	47	855,301 41	41	913,212 50	50	1,768,513 46	46	885,202 40	40	984,425 53	53	1,869,627 46	46
All Co's.	\$1,777,544	..	\$1,761,977	..	\$3,539,521	..	\$1,743,338	..	\$1,689,666	..	\$3,433,004	..	\$1,924,729	..	\$1,695,537	..	\$3,620,266	..	\$2,057,033	..	\$1,764,594	..	\$3,821,627	..	\$2,188,151	..	\$1,850,430	..	\$4,038,561	..
LOSSES AND PERCENTAGE OF SAME TO TOTAL PREMIUMS AS ABOVE GIVEN.																														
	LOSSES, 1878.						LOSSES, 1879.						LOSSES, 1880.						LOSSES, 1881.						LOSSES, 1882.					
	State.		City.		Per cent.		State.		City.		Per cent.		State.		City.		Per cent.		State.		City.		Per cent.		State.		City.		Per cent.	
	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.		
All Co's.	\$698,787 39	39	\$222,437 13	13	\$921,224 26	26	\$932,394 53	53	\$177,950 11	11	\$1,110,344 32	32	\$804,636 47	47	\$271,034 16	16	\$1,175,671 32	32	\$949,380 46	46	\$331,646 19	19	\$1,281,026 33	33	\$1,219,065 56	56	\$393,903 21	21	\$1,612,968 40	40
PERCENTAGE OF PREVIOUS YEAR'S BUSINESS LOST OR GAINED BY EACH CLASS OF COMPANIES.																														
COMPANIES.	1878.						1879.						1880.						1881.						1882.					
	State.		City.		Total.		State.		City.		Total.		State.		City.		Total.		State.		City.		Total.		State.		City.		Total.	
	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.		
California	-28	..	-15	..	-15	..	-05	..	-15	..	-10	..	+16	..	-007	..	+08	..	+006	..	0	..	+003	..	+15	..	-004	..	+095	..
Eastern	-05	..	-07	..	-07	..	+13	..	+05	..	+09	..	+15	..	+06	..	+11	..	+10	..	+09	..	+03	..	+02	..	+03	..	+03	..
Foreign	-08	..	-03	..	-03	..	-09	..	-03	..	-06	..	+03	..	-02	..	+004	..	+09	..	+03	..	+06	..	+03	..	+08	..	+06	..
All Companies	-14	..	-06	..	-10	..	-02	..	-04	..	-03	..	+10	..	-003	..	+05	..	+07	..	+04	..	+10	..	+06	..	+05	..	+055	..

TOTAL COAST BUSINESS, SHOWING PREMIUMS AND LOSSES AND PERCENTAGES OF SAME OF EACH CLASS OF COMPANIES FOR 1881 AND 1882.

COMPANIES.	1881.				1882.			
	Premiums.	Per cent.	Losses.	Per cent.	Premiums.	Per cent.	Losses.	Per cent.
California.....	\$1,190,544	24	\$447,082	26	\$1,338,475	24	\$559,484	21
Eastern .....	1,471,020	30	594,988	34	1,538,261	28	736,058	27
Foreign .....	2,276,763	46	708,685	40	2,657,783	48	1,424,396	52
All Companies.....	\$4,938,327	....	\$1,750,755	..	\$5,534,519	....	\$2,719,938	....

Percentage of Losses to Premiums, 1881, 35½ per cent.

Percentage of Losses to Premiums, 1882, 49 per cent.

On motion, the meeting was adjourned until 10 A. M.

## SECOND DAY.

WEDNESDAY, FEBRUARY 21st, 1883.

The meeting was called to order at 10:15 A. M.

The President: Gentlemen, Mr. Geo. W. Spencer, Chairman of the Library Committee, will favor us with a report.

### REPORT OF LIBRARY COMMITTEE.

MR. PRESIDENT AND GENTLEMEN OF THE ASSOCIATION : — Once more we are called together upon this our sixth annual meeting to submit our respective reports and for the pleasure of listening to the addresses made by members and friends of the association. Your Library Committee, therefore, beg to lay before you a statement of their stewardship for the past year and invite your attention to the collection of works, which is now arranged on your library shelves, for the benefit of all San Francisco Underwriters.

In 1878, on the occasion of our second annual meeting, we were first presented with our library by Mr. Hart, the Chairman of the Committee, who, by a judicious expenditure of the small amount appropriated for the purpose, gave us the nucleus, nest-egg, to quote from his report, of our present library. We all remember the very happy manner of his presentation. The library was small, his report immense; and while from that time to the present the library has materially increased, without reflection upon succeeding committees, THAT FIRST REPORT HAS NEVER BEEN EXCELLED.

Among the first acts of your presiding officer last year, on assuming his position, was to move in the matter of providing a library to contain all works of

reference and special interest to Underwriters. To his personal efforts your committee is largely, in fact, principally, indebted for the results which are now submitted for your approval. The object sought was the formation of an Underwriters' Library, containing every standard work of reference, digest of decisions, reports, statistics, essay and treatise on subjects pertaining to our profession; and to provide a fund which would enable us to add to our shelves every new work as it was published. There was no such collection in the city, and one in search of information of this character referred in vain to his own dust-covered volumes on mantle or window sill, or visited with no better success the select and neatly arranged library of his more methodical neighbor. To accomplish our object, funds were needed, which the treasury of the association was unable to provide, and we were therefore obliged to call upon our friends for assistance. THE GENEROUS RESPONSE TO OUR REQUEST is shown on the debit side of our finance account herewith submitted. The liberal amounts donated and the promise of further contributions, if required, relieved your committee of embarrassment and reduced its duties to simply the purchase of works of most value to you, and the proper accounting of moneys expended and balance on hand; and not only were we indebted for contribution of funds, but also of valuable reports and records, which were bound and presented to the association by offices which had for years carefully preserved them. In this connection, as we are somewhat encouraged by success and have thereby lost that hesitancy of manner which characterized our first efforts in augmenting this library, we venture the hope that, when its full scope and influences are known and appreciated, valuable works now in the possession of individual Underwriters, and, thereby, not generally accessible, will be generously donated for the benefit of all. In our intercourse with the various offices, and intent on the welfare of our library, we cast longing eyes upon volumes which are sadly needed on our not yet filled shelves, and trust that when this modest want, which is now expressed, meets the eyes of the unselfish possessors, they will PROMPTLY PASS THE TITLE OF OWNERSHIP TO THIS ASSOCIATION.

The works referred to are, many of them, out of print and not obtainable by purchase. The existence of them in this city is known but to few persons, and they are, therefore, not generally sought for or referred to. If they formed part of our collection and were embraced in the catalogue, they would be of benefit to all as works of reference. In other words, we seek to obtain from the scattered books throughout the different offices where they are now of no general use, a collection centrally located for the benefit of all.

We invite suggestions from any member that will enhance the value of this library, and are prepared to purchase any volume that may be needed to complete its usefulness. We have files of nearly all the leading insurance journals, and believe that an inspection of our new catalogue, copies of which have been furnished every office, will show an insurance library, the want of which has long been felt by every member.

THE LIBRARY CASES, which the association purchased at different times, were found inadequate for our present wants, and we, therefore, had constructed much larger and more convenient ones, which will probably meet our requirements for a number of years. Some difficulty was experienced in disposing of the old cases, and the prices realized were not satisfactory. The fact that we were obliged to sell, and few wished to purchase second-hand furniture, operated against us, and we finally sold them for the best prices obtainable.

The subject of our report is not one upon which there is occasion to write a lengthy paper. It furnishes no theme for discussion, and calls for but a statement of our trust, which is submitted as follows :—

## RECEIPTS.

Contribution S. F. Board Underwriters.....	\$250 00
“ Cal. Ins. Association.....	150 00
“ Messrs. Jennings & Stillman.....	15 00
“ N. Y. Underwriters.....	20 00
“ Sun Ins. Co.....	20 00
“ Trans-Atlantic Ins. Co.....	20 00
“ Mr. E. A. Halsey.....	5 00
“ State Inv. & Ins. Co.....	20 00
“ Le Circle Ins. Co.....	10 00
Rec'd from sale of Library Cases.....	45 00
Total.....	\$555 00

## EXPENDITURES.

Coast Review, Insurance Publications.....	\$ 87 88
Sumner, Whitney & Co., Ins. Law Books.....	86 00
A. L. Bancroft & Co., Encyclopædia Britannica, 14 vols., and Ure's Dict'y of Arts and Sciences, 4 vols.....	116 50
Payot, Upham & Co., Webster's Dict'y.....	10 00
A. J. Forbes, Library Cases, Complete.....	92 70
Joseph Fredericks, Carpet Strip.....	3 50
D. Hicks & Co., Binding Books.....	8 75
Subscriptions, Monitor, \$3.25; Law Journal, \$5.00; Insurance Times, \$3.20; Underwriter, \$3.00, and 3 back vols., \$12.00; Spectator, \$4.00; Coast Review, \$2.50; P. O. Order, 40 cts.....	33 35
H. S. Crocker & Co., Catalogues.....	8 50
Balance on hand.....	107 82
Total.....	\$555 00

In conclusion, trusting you will acquit us of any charge of boastful pride in our efforts, we feel that, in presenting you with this library, your committee is making its report in the most acceptable manner possible.

Mr. Carpenter: I will take this occasion to express to the Association the regret of Mr. D. J. Staples, who cannot be with us on account of sickness in his family, and who intended to-day to present in person some volumes which he has collected for the benefit of the Library (presenting books); these are the reports of the San Francisco Fire Department complete from 1870 to 1882; also, the Fire Marshal's report from 1864 to 1882. The Fire Marshal's reports had to have the record of three full years written out in manuscript in order to make them complete; and Fire Marshal Durkee kindly consented to perform that service. In the case of the Fire Department reports, it was necessary to hunt through numerous offices and obtain some of the annual state-

ments from the Municipal Reports in order to complete the set. These of course are not of any interest for casual reading; but as a matter of reference I think they are of great use to one who wishes to look up statistics.

Mr. Geo. W. Spencer: These are the only complete reports in the city, and they will prove very valuable to our library. On behalf of the Association I move that a vote of thanks be tendered to Mr. D. J. Staples.

The motion was carried.

The President: Our thanks are certainly due Mr. D. J. Staples, President of the Board of Underwriters, for many acts of kindness and courtesy, extended not only during the last year, but during the last six or seven years. He has before this presented books to the Association which cannot be duplicated; we have now from him three sets of books which cannot be found outside of this library.

Mr. C. M. Nichols read the paper on "Fire Department and Water Supply," written by William Sexton:—

### FIRE DEPARTMENT AND WATER SUPPLY.

MR. PRESIDENT AND MEMBERS OF THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC:—Gentlemen: Your Committee on Fire Department and Water Supply beg leave to offer the following as an apology for not making, as has been the custom of former committees, a more elaborate report on this subject.

The Fire Insurance Underwriter bases the rate on the hazard as made up by class of property or building, occupancy, exposures, force and direction of wind, fire department and water supply, with a liberal addition for carelessness (accidents that will but ought not to happen, and cussedness (moral hazard), thrown in). This we believe to be the *theory* of the profession; the *practice* is, too often, that instead of *additions* being made for unforeseen accidents, in consideration of our superior judgment, hope of good luck, or to take the risk from the company around the corner, a very liberal deduction from a proper rate is made.

Underwriters do not make the hazard; they only fix the rate called for by the hazard as they find it; and as all reductions of hazard make a corresponding decrease in rates, there is no part of the premium income of an insurance company that can be justly applied to improving buildings, removing exposures, putting up wind-breaks, widening streets, furnishing fire departments, or maintaining and managing salvage corps, or Fire Patrols, for the purpose of bettering risks, reducing rates, and decreasing the amounts of insurance necessary to be carried.

FIRE INSURANCE COMPANIES ARE ORGANIZED TO SELL INDEMNITY FOR LOSS, *not* to furnish protection against loss ; the latter is furnished by the municipal government, and the cost assessed on all property supposed to be benefited, whether the owner of such property be willing or not ; the former is paid for voluntarily by those to be benefited, each for his own use ; and any of such payment that is diverted to the use of the community at large is robbery of the careful, prudent citizen, for the use and benefit of the careless or hoggish person who won't pay for idemnity.

A writer on this subject says : "It is for the citizen to regulate the risk "and for the underwriter to fix the rate."

Another writer says : "All the elaborate process of surveying and inspection "by underwriters has for its object, not the *prevention* of *fire*, as is commonly "supposed, but the reduction of the element of risk to within certain definable "limits, these limits being those within which certain premium is considered to "be sufficient to cover the danger."

"Putting the case very briefly, therefore, a fire insurance company is not in "the slightest degree concerned as to how many or how few fires are of a de- "structive or a trivial nature ; in fact, ITS SOLE DUTY IS TO 'MEASURE THE RISK.'"

The practice of supporting fire patrols in large cities by the insurance companies, to protect and save property, that the owner may get along with 40 to 50 per cent insurance, instead of the customary 66 per cent, or, depending on this extra-efficient and very valuable arm of the Fire Department, conclude to take the chances without insuring, is certainly against the interests of the underwriters ; and while insurance men point with pride to the large amounts saved by the activity, energy, and good judgment of the Fire Patrol force, they must bear in mind that property owners have eyes and can see who gets the benefit of the salvage.

We have in mind a fire in a \$600,000 stock, insured for about \$250,000, on which, owing to the good work of the Patrol, the loss was about \$22,500, saving 100 per cent for the assured and 10 per cent for the companies, and another where the Patrol saved 100 per cent for the assured and 75 or 80 per cent for the companies.

We know of the good work done by the men of the Patrol in these and many other cases ; they always do good work ; but we don't know the millions of dollars worth of property carried without insurance, or the thousands of dollars lost by the companies, in reduced rates, because of the good work.

There is not one of you who cannot give from his own personal experience many instances of renewals of good wholesale lines lost, because of the increased protection in the Fire Patrol District, and who has not had its good work referred to as A REASON FOR THE NON-NECESSITY OF CARRYING A FULL LINE.

How often have you been told that the stock would be covered and saved, the damage very light, and a lower rate had, or the other company would take it.

How often, when you suggested the danger of fire, have you been talked to about as follows : "Oh, yes ! there *is some* danger ; had a little fire the other "day. Straw in the cellar (or a hinged gas bracket, or something of that sort), "but the Fire Patrol put it out, almost before we knew it. Good thing, that Fire "Patrol ; saves you insurance people lots of money. We don't carry near as "much insurance as we used to ; but, with such protection, all the money insur-

"ance companies get is clear gain." And you go off, flattered and dazed like; can't quite understand it; have to admit what he says; don't get his risk; don't make any money off of him, but pay for a Fire Patrol to save his property, and kind of wonder why the insurance companies don't furnish *more* fire departments, they do the work so well, and save so much for them, and so much for the people that don't insure.

How often, because of the Patrol, we take a large line at a low rate to keep up our premium income, at the expense of our neighbor company that is assessed to support the Patrol.

The Fire Patrol should be supported by the municipal government like the balance of the Fire Department, as its existence gives a reason for carrying smaller lines, and an argument for rebates and lower rates, thus burning the candles at both ends. In addition to this, the expense of keeping it up comes from the companies' stockholders, there being no rate levied for it,—really burning the candle at three ends, the last being the end of the candle.

For proof of this we need only to note the number of New York companies that ten or fifteen years since were doing a very profitable local business, now going out of existence. Did they not give away protection instead of sticking to their regular business,—selling indemnity?

In order to fix rates, underwriters are directly interested in knowing all about Fire Departments, but this interest is too often, from the custom of making donations towards Fire Departments, giving Fourth of July lunches, and maintaining salvags corps, construed into the belief that Fire Departments are kept up for the benefit of insurance companies.

A town, wanting a reduced rate, gets a new hook and ladder or engine. The agent is called on for a donation; and a refusal on the part of his company to respond is put down as working against his and their interests. •

An attempt or two at setting fires wakes up the town to the necessity of having a night watch, and the companies are again called on to subscribe, because they have so much at risk. It don't seem to be understood that the insurance companies take and carry risks for pay, and get paid, or *should* get paid, for the risks they carry.

We know of a case where an insurance company hired a watchman to watch a building for a month, at about the cost of a year's premium. Because of the absence of the assured, or legal representative, notice of cancellation could not be served. This was an expense that would go to loss account or special work. As the prudent manager of the company had good reasons to believe that the property would be burned, he took off his policy and his watchman as soon as he could; he couldn't afford to watch a \$5,000 risk for \$50.

The following from an insurance journal that you probably have read applies so well that, in this connection, it will bear repetition:—

"A town in one of the German states, where *all* the property is insured, "accepted a gift of a new steam-engine from an enterprising company, in consideration of that company getting all the insurance,—an excellent trade both "for the company and the town; *but that other company* (they have them there "as well as here), at expiration, in consideration of the improved fire protection, "gobbled the whole line at 20 per cent less than the old rate. Result was that "the town, at the end of two years, was a steam fire engine ahead, and had a 20 "per cent reduction on rates."

We have this experience often at home, but, not doing insurance at wholesale, cannot point it out as plainly as in the foregoing.

This matter is old, and has been argued, talked, and written against by all of us; yet Fire Departments are subscribed to with "mental reservations" and "mustn't-do-it-agains" by most of us, as regularly as the paper is handed in, and Fire Patrols are supported by all with as much zeal as if the very existence of insurance companies DEPENDED ON THERE BEING NO FIRE LOSSES.

It is a relief to find backbone once in a while, and to find underwriters disposed to add to the rate instead of busying themselves reducing the hazard.

The following, from a late journal, in relation to the lumber district in Chicago, has the proper ring:—

"The streets in the lumber district were blocked with piles of lumber, not only so as to interfere with the movement of engines in case of fire. but also connecting the blocks and increasing the risk. The underwriters interested, instead of moving that lumber, or building a wall around it, or putting a tarpaulin over it, to save it and reduce the risk, gave notice that if the streets were not cleared within a time fixed, the rates would be increased 50 cents. The streets were cleared."

Another case, from Cincinnati:—

"At a fire, a lot of hose bursted, and there being no money in the hose fund, the underwriters, because of their interest at risk, were called upon to contribute. Instead of doing so, they answered that they adjusted their rates to the hazard, and that if new hose was not supplied, rates would be raised from the first of the next month." The city bought new hose.

This, from our level-headed friend Carpenter, states the matter much better than your Committee could hope to:—

"The Bitter Root ford was dangerous. Its swift currents and treacherous sands had caused the loss of much property and numerous lives. So a calculating sober-sides, who had rightly argued that a ford so dangerous would be gladly avoided by many travelers, if a ferry were convenient, stretched a heavy cable across the river, and attaching his boat thereto, commenced transporting teams and passengers.

"The price charged was such as most travelers thought they could afford to pay rather than "take the chances" on the ford; but there were some who always complained that the rates charged were too high, and who regarded the ferry as an imposition that they would not endorse by their patronage.

"As the surrounding country became more populous, the travel across the river, both by ferry and ford, increased, and the accidents became more numerous. It was, therefore, proposed to build a bridge, and a subscription paper was circulated for signatures. Various small amounts were entered against the names of those who were obliged to occasionally cross the river, and then a COMMITTEE WAS APPOINTED TO WAIT UPON THE FERRYMAN. His attention was called to the public spirit of the hundred or so who had subscribed one-half the required amount, notwithstanding that they did not cross the river more than two or three times per year. As he crossed more times annually than all the others put together, the committee thought it no more than fair that he should subscribe for at least that half of the cost of the bridge which still remained unprovided for. The ferryman had to admit that the 'crossing' was a danger-

ous one, and that he himself had suffered severely by reason of floods and floating ice, that had carried away his boats and broken his cables. 'But,' said he, 'if these accidents multiply I can increase my tariff of charges, and thereby make myself whole on the business, while if the crossing is made safe by the building of a bridge, not even the most ardent admirer of a "life on the ocean wave" will patronize my boat, and my occupation will be gone.' 'No! gentlemen, I am sorry to say that my business interests do not permit my endorsement of your public spirited movement; but if you want to scatter ten-ton boulders promiscuously around in the stream above and below the ferry, and explode dynamite in the bed of the ford, I am with you every time.'

And the disappointed committee went away disgusted at the stupidity of a man who would not aid a great public improvement, even when it was "directly in the line of his own business."

In small, ambitious, high-rated towns, the new hook and ladder truck and buckets attached are shown to the special, and the good work done by the company tearing down a shed in the edge of the town set forth to show why the rates should be reduced; or the old tub brought around the Horn in '49, that went from No. 6 in San Francisco to No. 2 at Sacramento, then to No. 1 at Nevada, and having outlived its usefulness in these places (they having been built of brick don't need so good a "*masheen*") is pointed out as the savior of the town and the right arm of the insurance companies in robbing the citizens. "Rates must be reduced or no business," is the slogan of the town. The agent, not having much experience in fires, and fully believing in his Fire Department, joins in the hue and cry for low rates with as much honesty and zeal as he used in getting his companies to subscribe towards the new Fire Department, and shows quite as much disgust at the special who refuses to back him up for a reduction of rates as he did at the company that had backbone enough to refuse to furnish a Fire Department.

No use for the special to suggest that the apparatus will be cared for for a while; but if, when the fire does come and it is needed, the truck is not stuck away in some back yard, the ladders loaned to the town painter, and the buckets gone, it is likely to be where the fire starts, as at Fresno, and get burned, or at Colfax, where the '49 tub was in the lake, useless, it having performed its office of getting companies to insure a frame town at board rates, reckoned on the 10-foot 6-inch open space table. Telling him of the large number of useless fire machines found in small towns don't make an impression; his town Fire Department is not of that sort.

In small cities having Steamers, and in some cases, Paid Fire Departments, an allowance must be made for want of continuous practice on the part of the men. We are often called upon to explain why San Jose, Stockton, Sacramento, Los Angeles, and Portland, with their good water supply and excellent Fire Departments, are rated higher than San Francisco, and have to quote the furniture store fire at ———, where the fire damage was about \$500, and the water damage about \$13,500, where, in the language of one of the adjusters, water was thrown everywhere and on everything except the fire, or where the fire was; this was because the smoke was so thick that the fire couldn't be found, and they had to put the smoke out first; or the dry goods fire at ———, where the ambitious fireman wanted a premium for getting on first water, through a

sky-light, and at least thirty feet from the fire, causing a water damage of about \$3,000 to a lot of silks; or a fire at ———, where a company had to replaster the adjoining building; the Local Agent, in reporting the loss, said that there was no fire in this building, and but little in the other; but the firemen had to throw water somewhere. You gentlemen know enough cases of this kind to fill a volume. You know that not only fire engines and water are wanted, but practical experience is also needed. A steamer is very good, if not used as at ———, with Puget Sound for a water supply, where it was run overboard in the excitement; and the excellent water supply became a cause of disaster.

To fix a rate we should know the fire protection the risk or locality has, and the value of that protection, and thus far are interested in Fire Departments.

In no place does the old saying that "an ounce of prevention is worth a pound of cure," apply as well as to stopping fires; a bucket of water at the start may be worth an ocean an hour later.

In ordinary frame, or frame and brick towns, up to 2,000 population, where water does not often freeze, a bucket brigade does best service; buckets to be made of galvanized iron, to hold about three and one-half gallons each, making the weight of a full bucket not over thirty pounds, the buckets to be kept filled, and placed on shelves about four and one-half feet from the ground, or sidewalk, six in a place, and not over seventy-five yards apart; eight dozen buckets, filled, and placed in this manner, would be available in a fire in center block, or eight barrels of water of forty gallons each, inside of sixty seconds. This makes some allowance for waste. The value of this much water early in a fire, in one of our towns that can burn down inside of thirty minutes, cannot be estimated.

In the excitement of a fire a man may forget to set fire under a boiler, may forget to screw on the hose, may lose his wrench, or by other accident delay the working of an engine until too late; but any one can shoot a bucket of water straight, or if one should miss, the other 95 would be in, and, before the last bucket was emptied, lines would be formed.

For water supply, troughs like a horse trough, or barrels, and pumps or supply pipes, are best, as the water carriers can dip and run.

For towns over 2,000 and up to 10,000, volunteer companies of hook and ladder, hand engine, and steamers, in addition to the bucket brigade, are useful, but should be a separate organization from the bucket brigade; and if the latter is kept up, the former won't have much to do.

In towns of 10,000 and over, paid fire departments are best.

The experience with ordinary private fire departments in hotels, theatres, large dwellings and manufacturing establishments is such that it is a common remark among underwriters that companies would be justified in raising rates, unless the assured will agree that the private fire department shall not be used in case of actual fire, if the general fire department is within reach.

This opinion of private fire departments does not apply, however, to the excellent systems of protection in use in manufacturing establishments in the cotton and woolen mills East, which system not only includes water supply and apparatus, but the "ounce of prevention," in the mode of building.

We have numerous examples of very large losses caused by trying to stop a fire with the private fire departments without calling in the general department; a few of the notable ones, — the Field, Leiter & Co. store in Chicago, a few years

since, and the sugar refinery at Philadelphia last year. The later ones are the Wilson Nob Hill residence, reported in *Coast Review* of December, 1882.

From the report it appears that on each floor there was 25 to 30 feet of 2-inch hose attached to the water pipe. Smoke was discovered at 7:30 A. M., but the servants relied on the hose and did not turn in an alarm until 10:40. By hard work with the full force of the department the fire was, by 12:30 P. M., under control. The *COAST REVIEW* comments as follows:—

“Their ill-advised reliance upon this household apparatus for the extinguishment of fire resulted in ten times the amount of damage that would have occurred had the Fire Department been summoned at the first indication of danger. The main point, however, which we wish to call special attention to, in this connection, is the fact that the reliance placed on the household arrangements for extinguishing fires was not only misplaced confidence, but resulted in a heavy loss. The house hose was of no more use to overcome the fire than a syringe and a glass of water would have been.”

Want of space prevents copying more of that article. Read it!

The burning of the Park Theater in New York, a short time since, is referred to in the insurance journals as follows:—

“The old story is again rehearsed of defective private fire extinguishing apparatus, and nobody at hand competent to work it, had it been ever so good. The fire alarm boxes were out of order, and failed to work. Reliance was at first had upon the fire apparatus belonging to the theater, and this failing the alarm was turned in for the regular Fire Department. Thus valuable moments were lost.

“It is claimed that this theater was splendidly equipped with the means for fire extinction; but, as usual, when these means were required to be put in service, there were no men present to handle them.”

Yet we presume a liberal deduction had been made in the rate of insurance because of this unavailable fire apparatus. This is another illustration of the fact that fire apparatus located within the building to be protected is simply a snare to catch insurance gudgeons. The sooner companies stop the practice of reducing rates because of such appliances the better it will be for them.

“The employees tried to put the fire out themselves; but their fruitless efforts were another demonstration of the little value to be placed on private fire extinguishing facilities handled by undrilled and inexperienced men.”

Another journal says, on the carelessness of the human species:—

“Fire is a fresh subject in the public mind. Even the most careful people sometimes grow slack in their exercise of precaution. There are times when even a good housekeeper will forget to bait the mouse-trap; shutters and doors are often left unbarred. When fire does not for a long time break out in a building, people forget to see if the hose is in place, the water connections in running order, and the telegraph instruments in such condition that they will convey an alarm. If they only knew *when* the flames were coming; but they don’t.”

For hotels, theaters, and manufacturing establishments, preference should be given to buckets and troughs or tubs. The time lost in getting the hose out of the rack, and the chances of the operator turning the faucet lever once or twice around in the excitement, often loses time that would not be lost if dependence were had on buckets only.

In manufacturing establishments of two or more buildings, not connected, steam pumps, hose, hand engine, or other power or pressure, private fire department is of value, in addition to buckets, to keep the fire from spreading from one building to the others.

In making up a proper rate, the height of buildings must not be lost sight of; as in the large cities buildings are being so constructed that the upper stories have about as much protection from the Fire Department as a building in Deadwood or Tombstone had when the water works were finished, and the "water expected" the next week, and should be rated accordingly.

High buildings also make a stronger draught, making the fire burn fiercer, and requiring a better Fire Department than lower buildings. The high buildings outgrow the Fire Department, and is a hazard that needs careful figuring.

The introduction of power elevators makes the upper stories quite as comfortable and as easy of access as the lower ones; and to such an extent has the high building craze run, that some of the oldest and most conservative Fire Insurance companies have the upper portions of their modern buildings away out of the reach of the Fire Department. We presume, however, that they are fire-proof, and not insured; or, if insured, the insurance is at rates without deduction for fire department.

The interest of insurance companies in improving the risk to make it better for them and at less rate for the assured, according to the popular idea of agents and assured, is best illustrated by the agents' settlement of a couple of small losses, one in each end of the State.

A small damage to a church, caused by stove-pipe through the side wall, not over \$5, was settled by the agent by repairing the damage and building a nice brick flue, at a cost of \$25, making a total of \$30, — \$5 for loss and \$25 for protection. The company paid about two years' net premium to improve the risk and reduce the rate 75 cents. The agent supposed that this was right, as the company had \$1,000 at stake, and could afford to pay \$25 to protect it. His reasoning would have been correct if the company could have collected that 75 cents for a stove-pipe until the building was destroyed by time or fire; but having a brick flue, the rate was promptly dropped to the basis.

The other was a stove-pipe damage to a school-house, in the settlement of which the agent pointed out to a visiting special, with no little pride, how he fixed up the damage and put in a Terra Cotta flue, at the company's expense, to make the risk so much safer for the company; and that his general agent had endorsed the settlement, and said it was all right.

These agents, like too many of the insurance fraternity, only got protection and indemnity mixed.

Your Committee, on submitting their views on this subject, do not wish to be understood as favoring a poor fire department as against a good one, or that there can be any objections of any sort to insurance companies helping to build up and support fire departments or fire patrols, other than the fact that there is no rate charged the assured for this expense.

Mr. Tom C. Grant:—

MR. PRESIDENT: Although a member of this Association since its organization, this is the first meeting it has been my pleasure to attend. The exercises

yesterday were very interesting, and in your remarks, on the various papers read, you expressed a hope that members would criticise and discuss subjects as they came up ; this is my apology for occupying your time.

A gentleman, in a friendly argument, once facetiously remarked, "My dear fellow, I deny your allegation, and defy the allegator;" so say I now to the Chairman of the committee whose very interesting paper has just been read. You all know that I have taken an active interest in our Fire Patrol since its organization; and to this point I now desire to make a few remarks.

Some thirty years ago, a small, primitive hand-cart was seen in New York, called the "Salvage Corps," the object being the saving of life and property. A few years later a one-horse wagon was found necessary for their work. Still later on a two-horse wagon was built expressly for their use; a house was secured to shelter men and apparatus in what is now known as the Dry Goods district. Still later, they found that one wagon was insufficient, and the second house was started. A few years after a third. About four years ago a fourth house was established, as far north as Nintieth street; and I am told that the Directors are seriously considering the propriety of establishing a fifth house still further north. It is unnecessary to add that the insurance companies doing business in the City of New York regard their investment as first-class.

About thirteen years ago, a handful of underwriters in Chicago, recognizing the necessity of self-protection, tried to establish a fire patrol system there. At first they met with very poor success; a few enthusiastic men, of whom Gen. Drew was a leading spirit, solicited contributions from private individuals, and also contributed from their own means towards its support. About this time the Chicago fire occurred, and the patrolmen worked unceasingly for about 48 hours. It is impossible to estimate the number of lives rescued and amount of property saved on that memorable occasion, and unnecessary for me to state that, from that date, the Chicago Fire Patrol found a warm spot in the heart of every insurance man, and that Gen. Drew and his friends experienced no difficulty in obtaining funds for the maintenance of the organization. Private individuals stepped forward and erected a handsome house for the Patrol, in the business portion of the city. A few years later a second house was established in the western part of Chicago.

About eight years ago a Fire Patrol was agitated in this city. It had a few enthusiastic advocates, others were luke-warm, and others still expressed the thought that it would not pay. We, however, succeeded in establishing, what was desired, a patrol for the protection of life and property in this city. For several months it was contended that our outlay was a useless expense: we hoped and prayed that it would prove so; but I am pleased to state that it *did not* prove a useless expense.

I desire to state right here, that I learned, a short time before this meeting, that remarks would be made discouraging Fire Companies patronizing fire patrols, and, with the few moments at my disposal, I made the following figures: Our Fire Patrol started here in March, 1875. Its first active service was on July 30th, 1875, at the "Bay City Sugar Refinery;" most of us remember that fire. I was selected, in company with two other gentlemen, to act as adjuster for all companies in interest. We found that our Fire Patrol had done some very efficient work. After our labors were completed, Mr. Meyer, Secretary of the Bay City

Sugar Refinery, stated that they had made a careful calculation, and that in their opinion \$65,000 was a low estimate of the amount saved the underwriters by the Fire Patrol.

In August, 1878, on a Saturday evening, at about half-past 7 or 8 o'clock, a fire was discovered in the roof of Messrs. Murphy, Grant & Co's wholesale dry goods store, on the northeast corner of Bush and Sansome streets. The alarm was turned in, and the Fire Patrol was the first on the ground, the men working with an activity that was delightful to witness. Captain White pressed every man into service that he could possibly obtain; every cover owned by the Patrol was spread on that occasion. Tons of water were thrown on the fire; — the store was deluged from roof to cellar. The following Monday morning Mr. Dornin, Mr. Garness and myself were selected a committee of adjusters for all companies in interest. Suffice to say, the loss was adjusted for \$40,000. After the preliminaries had been arranged, Mr. Dean, a partner in the concern, stated: "Gentlemen, I desire to congratulate you upon the efficient service rendered by your Patrol. Your men did nobly; but for their activity, we would have called on 'you for \$400,000 instead of \$40,000.'" They had a stock of over \$1,000,000, with over \$750,000 insurance.

Adjoining the Murphy, Grant & Co. building is the wholesale establishment of Messrs. A. B. Elfelt & Co., which was filled with smoke. But for the thoughtful care of Captain White in opening windows, front and rear, and drafting out smoke, we should have had a large loss to pay there. It is unnecessary to state that, had the smoke been allowed to remain in that building over night, the loss to the underwriters would have been very heavy.

On January 14, 1883, a fire occurred corner of Bush and Kearny streets, the first floor and basement being occupied by Michalitschke Bros., with a large stock of cigars and tobacco. The Patrol was called out on a "still." The men found the smoke so dense on the ground floor that they were obliged to crawl on their hands and knees from the front to the rear in order to get at the shutters in the rear. Windows were opened, a watch put on duty, and the following morning not a vestige of damage from smoke appeared. There was \$40,000 insurance upon that stock. We all know how sensitive fine cigars and tobacco are to smoke, and can, perhaps, estimate at least a 25 per cent salvage to the underwriters by the Patrol.

A few days ago (the 14th of this month) a fire was discovered in the residence of Mr. W. J. Callingham, a member of this Association; the Patrol was called out on a "still," the mantel and grate taken down, and the fire extinguished with a slight damage of \$50. I inquired of Mr. Callingham this morning, "What would have been your loss had the Fire Department gone into your house?" He replied, "I wouldn't have taken \$1,000 and had a stream turned in."

These are but a few of the hundreds of instances I could cite which would tend to show the great benefit the Fire Patrol is to us insurance people.

The argument made by the Chairman of the Committee on Fire and Water Supply, that the rates of premium are reduced in consequence of the maintenance of a Fire Patrol, I am hardly prepared to admit. In 1875 (when our rates of premium in San Francisco were at least 20 per cent higher than they were in 1882), our premium receipts, as per returns made to the Fire Patrol, were \$1,677,335 61. In 1882 the receipts were \$1,850,429 75.

The expenses of the Fire Patrol for the past eight years have been \$181,976.84, or an average outlay of \$22,747.10 per year.

There is another suggestion in your Committee Paper,—“that the Fire Patrol should be turned over to the Municipal Government.” This does not meet with my approval. Just why it should not be governed by our City Fathers, it is perhaps hard to say. Still, I think I can advance this argument without fear of contradiction, viz.: That the average tax-payer will cheerfully consent to have a portion of the City funds expended in the maintenance of a Fire Department as a protection against a general conflagration, but he will decline to contribute one cent to save life or property of a friend or neighbor. We all know from personal experience that institutions governed by political cliques are frequently unsatisfactorily managed. Perhaps the gentleman does not recognize the fact that one of the chief requirements of a member of the Patrol is strict honesty and temperance. If the patrolman felt that he was liable to be “an out” upon the change of the municipal officers, we could hardly expect him to take the same interest in our institution that he now does,—feeling assured that his present position is secure to him during good behavior.

Our friend, the Chairman, has had considerable experience in local politics, and perhaps will understand why it is that underwriters generally don't believe in turning the management of the Fire Patrol over to the municipal government. I think in the light of the experience of our friends in the East, where for thirty years this question has been agitated, and they have decided the management of the Fire Patrol should be under the immediate supervision of the underwriters, that we should be content to follow in their trail, and agree that the money expended by the companies for the protection of their own interests is legitimate, and one that should be cheerfully paid.

I don't believe that there is a single stockholder in one of the companies represented on this Coast but who will admit that the small pittance his company contributes every year for the maintenance of the Fire Patrol is money well spent. (Applause.)

Mr. Wm. Sexton: Then it would be better for us to go into the fire patrol business. My theory is that we furnish indemnity; it is no part of our business to put out fires.

Mr. Brown: I think the burden of the argument made by the committee is, that anything that tends to reduce the volume of premiums or income of the insurance companies is a blunder and a mistake.

Mr. Sexton: I say the insurance companies paying for it make a mistake.

Mr. Brown: —

Well, paying for anything that will reduce the volume of premiums, then that is a blunder. Now, I think, sir, that any one who has been engaged for years in the insurance business, and given attention to the subject, must see that anything that tends to make our business less of a gamble and more of a certainty is bene-

ficial. It is better for us to accept \$50 on a given line where we are confident there is no risk, except from purely accidental causes, than to accept \$100 where it is subject to great hazard. It is a much better policy to do business in San Francisco at the low rates that prevail than to write in Bodie or Candelaria at the tenfold rates obtained there. I think it is wisdom on the part of the insurance companies to pay for the support of Fire Patrols, because the Fire Patrol as an auxiliary to the Fire Department tends greatly to reduce the annual loss, and makes the certainty of profits very much greater. They make our business more of a science than a gamble, and I don't believe in the idea that anything that tends to reduce the volume of premiums is a mistake. The stockholders are interested a great deal more in *dividends* than they are in the figures of the gross income. The rates of insurance may be reduced by the existence of the Fire Patrol, but it is very certain that the *net* income of the companies is greater. Our friend refers to the bad experience of the New York companies, but he does not know whether that is the effect of the Patrol or not. I think there is no question about it; if he will, he can satisfy himself that it has nothing to do with the Fire Patrol. The New York city companies have had very disastrous years, because many of them write a large amount of country business without having agents or surveyors, and it is that business probably which has led to the losses, and not the business in New York city. I would like, Mr. Chairman, as a test of the sense of this meeting, to make this motion,—

*Resolved*, That, in the opinion of this meeting, the maintenance of Fire Patrols at the cost of the insurance companies is a mistake.

The President: I wish you would withdraw your motion until after the discussion. I am indebted to Mr. Sexton for this discussion, and I hope other gentlemen will have something to say; and if you will kindly withdraw your motion for the present —

Mr. Sexton: I think as much of the Fire Patrol as the gentleman does; but I don't believe in the general principle that the companies should pay for it.

Mr. Dornin:—

I am sure that the members of this Association will agree with me in the statement that the magnitude of the services of the Fire Patrol of San Francisco scarcely needed the admirable defense made by Mr. Grant. The services are certainly of incalculable value, and we are, individually and collectively, proud of our Fire Patrol; but as Mr. Grant spoke, it occurred to me that what may be termed the "unwritten statistics" of the business might have an important bearing on the subject. I would not for a moment vote to suspend the Fire Patrol, or abate, in any degree, my opinion as to the efficiency and worth of the service—indeed, I believe it might be extended; but, in estimating its worth, do we take into consideration the possibilities, that the loss of premium income, lost to the Companies because of the efficiency of the Fire Patrol,—whose efficiency is as well known to the property-owner as to us,—is a very considerable item in estimating the worth and value of the Fire Patrol to the Underwriter.

This item, and the probable additional loss or damage which would have occurred if the ready and efficient Patrol were not at hand, are what I have termed the unwritten statistics of the business.

That the well-known efficiency of our Fire Department and Fire Patrol has measurably reduced the amounts of Insurance which our property-owners carry, will, I think, be admitted; we had an illustration of this last week in connection with the attitude of the Spring Valley Water Company, when they notified the community of their intention to turn off the water from the City mains during certain hours of the day and night. In an interview with the reporter of one of the City papers, Mr. Montague, one of our largest property-owners, is reported as saying, that if the thing continued, and the Company persisted in their course, he should be obliged to increase the amount of Insurance on his stock.

A few years ago it was my province to act as one of the Committee of Adjusters of the loss of Holbrook, Merrill & Co. The Patrol did excellent work there, but the salvage was of little service to the Companies; for that firm was carrying something less than \$300,000 Insurance on a stock of double that value, and the damage by fire and water, principally water, was within, I think, \$1,400 of the total amount of Insurance. On such a stock, there should have been at least 75 per cent insured, and would have been if the shrewd gentlemen of that firm had not been furnished by the Insurance Companies with trained men and fleet horses to carry covers to protect their stock.

Now all this brings me again to the point, whether the loss of premium income to the Companies during the past seven years, since the Patrol was organized, is not a very serious item. I believe the annual revenue is about a million and a half of dollars. Let us suppose that the illustrations given by the cases of Montague and Holbrook & Merrill are fair examples, and we can safely estimate that  $33\frac{1}{3}$  per cent more would have been carried by the Companies, or rather the revenue would have been  $33\frac{1}{3}$  per cent greater; we should then have had at least three and a half millions more revenue; what the additional losses may have been to offset this, we may only conjecture. This, I understand, is Mr. Sexton's idea that the Companies have been furnishing protection, when they should have been selling indemnity. While my relations are very intimate with Mr. Sexton, I was not aware, until I heard the paper read to-day, how he intended to treat the subject; I apprehend, however, that his paper was not so much intended for the local as for the general market; to get something to place before the Country Agents, who are constantly being urged by their neighbors to make demands upon their Companies for assistance for fire departments; it is the experience of every Agent, every Special Agent, that we are constantly asked to contribute to fire departments, in the shape of new hose, ball tickets, or contributions to their tournaments, etc., on the plea that, as the Companies have so much at risk, they have a large interest in such improvements. The illustration in Mr. Sexton's paper, of the Company which secured the entire Insurance of a German town in consideration of paying for a fire engine, and the next year lost the Insurance by being underbid by another Company, because of this very fire engine, has its illustrations nearer home. The facilities we pay for are made the excuse for reduced rates, or the cause of reduced lines. I believe in the idea, that we should educate our Agents to the point that we do not furnish protection; that we measure the risks as we find them, and sell indemnity accordingly;

that the town which neglects to protect itself against the contingency of occasional fires must pay more for the indemnity which the Companies are organized to sell; we grade out tariffs of rates on this principle, according to the construction of the towns and facilities for extinguishing fires.

This is the position which the underwriters should have assumed in the recent crisis growing out of the controversy between the Water Company and the Supervisors; as citizens, they might properly have urged the contestants to temperate measures; as underwriters, having large interests at stake, their duty was to ask the Water Company to refrain from a course which would expose their vast interests to serious conflagrations; failing in this, to measure, if possible, the additional hazard, and increase the rates to cover it.

Mr. C. D. Haven: As the argument on this question promises to be extensive, I suggest that the discussion of this paper be referred to one of the regular meetings, particularly as we have a number of papers yet to read.

Mr. C. Mason Kinne: While I realize the importance of discussion, and believe that agitation is the only means of reform, yet we have other matters to listen to; the usual course adopted in regard to papers should be followed, and no motion, such as Mr. Brown offered, should be entertained. I hope he will withdraw the motion.

Mr. T. C. Grant: If necessary, I will apologize for speaking to this subject; but in conformity with the suggestion of the President, that papers were for discussion, I felt it was the proper time.

Mr. E. Brown: I withdraw my motion.

Mr. T. C. Grant:—

The President remarked yesterday, in his address, that we are acting as the servants of the corporations. I think we are carrying out their ideas in employing the Fire Patrol; the stockholders agree that it is a great saving to them. In my statement of the Murphy, Grant & Co. fire, I said that Mr. Dean had remarked to us “that the Patrol had saved between \$300,000 and \$400,000 to the *“underwriters,”* not to Murphy, Grant & Co.

To the statement that parties are generally reducing their lines on stocks because of the Fire Patrol,—I don't think this is generally the case. I know in one or two instances parties have said to me, “Your solicitor called here to obtain a line of insurance. I told him I didn't want it, because the Fire Patrol helped me out; but the fact is, my stock is reduced.”

Mr. Watson, manager for W. & J. Sloane & Co., the leading carpet house in this city, recognizes the efficiency of our Patrol. He stated to us that his firm carried 90 per cent insurance on their stock, notwithstanding the Patrol is

directly in the rear of their store-building; that the rear shutters of their store were left open every night, by his orders, that, in event of fire, our Patrol boys might be first on the ground to extinguish it.

I believe that if Mr. Sexton had had a little more City experience, he would recognize the efficiency of a patrol force, and be willing to acknowledge that the amount expended in maintaining such organizations is but nominal in comparison with the property saved.

There was a slight fire, the other day, in a wholesale millinery store, \$23,000 insurance on a \$25,000 stock. The store was opened by our Patrol force, windows opened front and rear, smoke drafted out; next morning there was not a vestige of a claim—none was made by the insured.

We have had similar experiences upon many occasions.

Had I known in time that this paper was coming up, I should have taken more pains to controvert its statement.

I hope that the members of the Committee will accept my criticism in the same kindly spirit it is made.

The President: Gentlemen, this meeting is for just such discussions; and if there is another gentleman who has anything to say, I am sure you will listen to him, no matter how extreme his opinion. I am more than pleased to hear this discussion, and to know that the paper has called it forth. It is the first discussion we have had; and although your time is valuable, if any one has anything to offer, now is the time to do it.

Mr. E. W. Carpenter: I understand Mr. Kinne's point to be, that we have so much work to get through that we won't be able to finish, unless we go on with the regular business.

The President: I will detain you one moment. A few years ago the height of buildings in San Francisco was confined to two stories; now we have five-story buildings, and we don't know where they will stop. The following is cut from the *New York Graphic*:—

“There is no doubt that if a fire should gain any headway in any one of the many tall apartment houses to be found all over this city, the means at the disposal of the Fire Department for rescuing the inmates would be found lamentably inadequate; and it is therefore not too soon to undertake the organization of a life-saving corps. In connection with such a corps it would, however, be advisable to limit the height of all buildings erected for dwelling, manufacturing or office purposes. Not only are these sky-scraping monsters, which are becoming more numerous almost every day, extremely unsightly, they are also the greatest menace to the lives of those who occupy them. There is absolutely no limit to the distance that a man may run a structure up into the air in this city, — something that cannot be said of any city of any size on the European continent. A

building should never be so high that the upper story is out of reach of the ordinary fire department appliances. The height of a fire ladder that is safe and can be raised in a few moments should be the limit of the height of ordinary buildings."

The Vice-President takes the chair, and Mr. Geo. F. Grant reads a paper prepared by T. C. Van Ness, called "Suggestions Upon the Insurance Contract."

Mr. Grant: In order to make the proceedings as interesting as possible, we called upon Mr. Van Ness for a paper. I chose him from a number, believing he had most successfully met the issues of the legal part of fire insurance in the courts. He addresses his paper as follows:—

SAN FRANCISCO, Cal., February 15th, 1883.

GEORGE F. GRANT, Esq., City: My Dear Sir,—I have before me your favor of the 5th instant, requesting me to put into a formal communication certain views relative to litigation arising out of contested insurance cases, which I have at various times taken occasion in private conversation to express to you. I am not aware that there is anything of special value in what I may have suggested to you; but being the result of some reflection based upon actual experience in this class of litigation, and being deemed by you at least worthy of notice, I shall here endeavor to dress those views in such form as to merit your attention.

There are three facts, of which every person familiar with the business of insurance is cognizant; to wit,—

1st. A prevailing prejudice, which renders it impossible for an insurance corporation to obtain a fair trial before a jury in a contested policy case.

2nd. A prevailing, although erroneous, impression among a large class of people that insurance companies never pay a loss if there be any possible means of escape from such payment.

3d. The ignorance existing among the assured, *as a class*, of the nature of the insurance contract, notwithstanding its almost universal use.

Stating these three propositions inversely, it would seem,—

1st. That the large proportion of our people who are daily entering into this contract of insurance are really ignorant of its nature, scope and effect.

2nd. That notwithstanding the large amounts paid out annually by the insurance companies in settlement of their losses, and the very few cases in proportion to the losses occurring which are taken to the courts, still an impression prevails among the very class whose sources of information should teach them otherwise that the companies pay only when unable to devise excuses not to do so; and—

3d. Growing apparently out of the ignorance upon the two points last stated is the prejudice existing among juries against the insurance companies.

The three propositions above stated necessarily arrest the attention of the thinking man. I have stated them twice, in a different order, and for this reason: the order in which first stated is that in which they naturally attract attention,—that in which last stated is, in my opinion, the logical order in which they must

be considered, to arrive at a true solution as to what is cause and what effect ; for these somewhat phenomenal facts or effects have unquestionably an antecedent cause. That cause being once intelligently recognized, it might be possible to point out a remedy, a result, I apprehend, to be wished for by those engaged in the insurance business. The first effect noticed, and which at once demands explanation is, interrogatorily stated, Why is it that juries, forgetting the sanctity of the oath which they take to fairly try the issues presented to them upon the evidence, take the bit in their teeth, ignore the evidence and law, and give to every plaintiff all that he asks ? That juries generally do this is well understood by every one familiar with insurance litigation, and so well recognized is this fact, that insurance companies, when sued, look to the Supreme Court of the State as the real tribunal from which they must expect justice ; from juries and the lower courts they expect none. And this is not a thing of recent growth. The arbitration clause in all policies, by which the companies seek to substitute an impartial board of arbitrators for a prejudiced jury, is of long standing, and the outgrowth, undoubtedly, of this very prejudice. Why, then, is it, one naturally asks, that this prejudice exists ? In my opinion, it is the result of two causes : —

*First.* The erroneous impression already referred to, that these companies do not pay their losses when able to escape therefrom, such impression arising from the non-payment by weak or what might properly be called mushroom companies of their losses, and the further fact that men always blazon forth to the world cases of non-payment, which they consider an injustice, while they remain silent in regard to prompt payments, which they take as their just dues ; and —

*Second.* More potent than all other causes combined in producing the prejudice spoken of is that other proposition which I have stated, — the ignorance of the assured, as a class, of the nature of an insurance contract and the limited liability assumed under the policy by the insurers. And here we may well pause to marvel that such should be the case. No contract is so common or so often entered into as that of insurance, and yet none so little understood. Men, and intelligent men, too, who in the ordinary concerns of life, would not enter into a lease or a contract to build a house without submitting it to their lawyer, enter into this most complicated of contracts without so much as reading it. I remember once at the conclusion of a trial in which the defense of the company was a breach of one of the conditions of the policy, a very intelligent man, who had been a witness upon the trial, said to me : “ I have been insured for years, but have never read one of my policies. I will go home and read those I now have to see where I stand.” And I can say for myself, that although I have always insured, I never, prior to directing my attention to the law of insurance, have read any of the policies issued to me. The prevailing idea, and in the existing state of ignorance to which I have referred, not unnaturally so, is, that if the assured has paid the premium, and a fire occurs without any fault upon his part, he should receive payment for his loss, notwithstanding that the policy may have been avoided by the breach of its material conditions. And this is particularly so if the fire was not the immediate result of such breach. And yet the insurance company, which, in consideration of a very small premium, has assumed a heavy risk, is perfectly justified in saying to the assured : “ I agreed to pay the sum specified in your policy, upon certain conditions, and upon those conditions only ;

the conditions upon which I agreed to pay do not exist ; I am not legally liable, and therefore I will not pay."

I think that this ignorance upon the part of the mass of the people who insure arises primarily from two causes : —

*First.* From the misrepresentation of insurance brokers or middlemen ; and —

*Second.* From the form of the insurance contract.

The competition for business is very severe ; and the broker who is seeking to obtain a risk will not go very far in pointing out to the assured the many things necessary to be done to bring himself within the terms of his policy. His, the broker's, object is to get the business and earn his commission ; and the policy being underwritten he will do little more than hand it to the insured with the statement that he is now protected. In the majority of cases the broker's sins are those of commission, — positive misrepresentation ; — but the sins of omission, in failing to inform the assured upon important points are the prevailing trouble. But the form of the insurance contract is, I think, the underlying cause of the ignorance and prejudice to which I have heretofore referred ; it is this which is most misleading to the assured. In entering into other contracts, he is consulted as to their terms, and when drafted they are carefully read over by him in order that he may see that he has not bound himself unwittingly. He then signs it in the presence of witnesses, and, in some cases, records it. A contract entered into with these formalities impresses him with the idea of participation and voluntary agreement. But such is not the case with the contract of insurance. Having given the risk to a broker, a paper called, not a contract or agreement, but a "policy of insurance," is brought to him. He has not been consulted as to its terms ; he has not signed it ; it is an agreement — so he thinks — issued to him by the insurance company, wherein, in consideration of the premium paid he is to receive, in case of loss, a certain amount of money. He does not consider this as a contract in which he is to perform any affirmative act ; and if he does read the policy it is doubtful whether he intelligently understands the meaning and import of the terms and conditions therein contained.

You will of course understand that I am here referring to this state of affairs as an existing fact and not in any spirit of unfriendly criticism. Now the principal cause of popular complaint in regard to the matter which I am now discussing ; to wit, the form of the policy, is, in addition to the want of mutuality, the mass of conditions, not well understood, limiting and defining the liability of the companies. These conditions are the weak point in every case tried before a jury. Counsel against the company invariably hold up the policy to the inspection of the jury, display the long list of conditions, and assert that no man can tell after reading them whether he is or is not, nor upon what terms he is insured. Of course every one familiar with the matter knows that all these various conditions and the exact phraseology in which they are framed are the outgrowth of the necessities and experience of the business and of judicial interpretation ; but the assured, ignorant of the history or underlying principles of the insurance contract, sees only a vast mass of provisions exempting the company from liability, and in many instances upon apparently technical grounds. With the making of these conditions the insured has had nothing to do. They are not talked of with him ; he has not, in his own mind, agreed to them in the sense of contracting. He must accept the policy on the terms therein specified or not at all. He re-

ceives it just as he buys a government bond, relying entirely on the financial soundness and good faith of the promisor,— the company. When the loss occurs and he is told by the company that he cannot be paid because of the breach of some condition of the policy, in seven cases out of ten the answer is either, “I did not know of this condition; I supposed I was insured, and did not read the “policy;” or, “the loss did not occur by reason of the breach named.” This is a good enough reason for the jury, but of course should not prevail with the court. But the courts are more or less in sympathy with the policy-holder in this plea; and the outcome of such sympathy upon the part of the courts is the doctrine of “waiver,” so liberally applied of late years to save the forfeiture of policies for breach of condition. And so rapidly is the application of this doctrine of “waiver” and its twin sister, “estoppel,” being extended, that unless something be done to check the growing prejudice against insurance companies in litigated cases the insured with a good attorney to back him will be able to manufacture a “waiver” to meet the necessities of every contested case. The query naturally arises, wherein is the remedy? It has often seemed to me that if the companies would simplify the conditions attached to the policy, making them more comprehensive in their general scope while avoiding the mass of detail now indulged in, and would *in form* make the policy what it now is *in fact*, a mutual contract, much of the prejudice heretofore referred to would necessarily be disarmed. If the insured upon receiving his policy were compelled to sign upon its face a stipulation somewhat in this form, “this policy is accepted by the insured therein “named, subject to all the conditions therein specified, and in case of loss the “insurer is to be held liable only in case of compliance by said insured with said “conditions,” with what grace could he appear in court in a suit defended by the company upon the ground of breach of condition and say, as he now invariably does, “I did not read my policy,” or, “I did not understand the conditions thereof;” and yet every one familiar with insurance litigation knows that upon these two foundations,— the failure to read the policy, and ignorance of the full scope of the conditions thereof, rest the majority of the verdicts against the insurance companies. The ignorant jury sympathizes with its companion in ignorance, the policy-holder, and the result is an ignorant verdict. The cry is, “the company agreed to pay this man in case of loss; the loss has occurred, let “them pay.” It is never considered that the contract is a qualified one; and the truth is that the majority of the people do not so consider it. But if a man were compelled to sign such a stipulation as I have suggested, he would be charged with notice of the contract he was making, and would, moreover, himself take the trouble to learn the nature and extent of it. It may be said that there is sufficient in the policies now to charge the insured with notice. This is true; but the answer is, that the majority of people receiving policies do not read them; but if they were compelled to sign such a contract as I have suggested, they would read them.

Another suggestion which if adopted would, in my opinion, render the relations between insured and insurer more harmonious, would be the adoption by companies doing business in this State of identical forms of policy; and this would certainly be advisable in case of concurrent policies upon the same risk. The conditions of the policies of the various companies are now so diverse, that the insured holding a number of them upon the same risk frequently finds it difficult

to determine upon what conditions the several companies are really liable. One great advantage of similar forms of policy in the same State would be that in course of time the various provisions of such form would receive judicial interpretation and be thoroughly understood in their full scope and intent. It has recently been suggested that the Legislature of the State should provide for some specific form of policy; but the better plan would be for a mixed committee of insurance men and lawyers familiar with the subject to prepare a policy which would be acceptable to the various companies. I am of the opinion that a form so prepared could be made sufficiently comprehensive to embrace every safeguard necessary, while dispensing with a great mass of matter now unintelligible to the insured as a class.

I desire to add only one other suggestion relative to this subject of insurance litigation. Some companies, although I think not many, contest losses otherwise honest upon purely technical points; others pay losses dishonestly made rather than incur what they deem to be the odium of a lawsuit. The former case only generates prejudice; the latter is a direct incentive to incendiarism and every class of fraud known to the insurance business. In my judgment every dishonest loss should be contested to the last point. House burners and fraudulent insurers should be taught that they will be compelled to pay as much as they can recover; and a perceptible reduction in the number of incendiary fires would be the result. Upon the other hand, if every honest loss was paid, even although a technical avoidance of the policy were possible, the better sense of the people would soon teach them that insurance companies did not contest other than dishonest losses, and house burning would cease to be the fashion that it has of late years become.

And now in conclusion permit me to say that I regret not having been able to cast this communication in a more perfect mould, but professional and other engagements have rendered it impossible to do more than give you the foregoing rough outline of thoughts which are worthy of a much more perfect exposition. Trusting, however, that this communication may serve such purpose as you desire.

I am, sir, very respectfully, your obedient servant,

T. C. VAN NESS.

Mr. W. L. Chalmers: I move that a vote of thanks be tendered Mr. Van Ness for this very excellent paper.

The motion was carried.

Mr. J. W. Staples reads the paper of Mr. W. J. Brodrick, of Los Angeles, entitled,—

#### UNDERWRITING FROM A LOCAL AGENT'S POINT OF VIEW.

MR. PRESIDENT AND MEMBERS OF THE FIRE UNDERWRITERS ASSOCIATION OF THE PACIFIC:—

Gentlemen,—Your association is, I believe, composed of gentlemen representing *all* the fire insurance companies doing business on the Coast. The writer is local agent for Board companies only, and his views may probably be mistaken ones; he therefore presents them in the most timorous and humble manner.

Is it not a very generally accepted fact that the newly appointed local agent is not supposed, or at any rate not *required*, to possess much knowledge of the business in which he is about to engage? Nobody will venture to deny that the duties of the special agent are arduous and difficult, and that he is continually engaged in conscientious efforts to advance the interests of his company—he works hard, putting in more minutes to the hour, more hours to the day (and in the night, too, for that matter) than most professional men; meets disappointments and rebuffs with the resignation of a philosopher (*sometimes*) and comes to the front smiling every time.

But how often does it happen that the special, wishing to place his agency, reaches a country town, and finding the field apparently occupied, searches for

#### AND APPOINTS A NEW MAN?

A rate-book and *policies* are handed to the appointee. Supplies, and a big sign, are furnished, and after a not very long time devoted “to instructions” the new agent is ready for “business.” He starts out (the agent), drops into the store of his personal friend Jones, tells him he has just been appointed agent for the So and So Fire Insurance Company, “the best in the world!” and asks him what rate he is paying. Jones, who is in the dry goods business (frame range of 3), says  $3\frac{3}{4}$  per cent. The new agent turns to his rating for dry goods. Whew!! says he, your rate should only be  $2\frac{1}{4}$  per cent, and they’ve been swindling you. “*Look at the book.*” Jones, who has probably been paying the  $3\frac{3}{4}$  per cent to Agent Smith for several years, immediately hunts him up, and after a long and tedious explanation departs, only half convinced that he hasn’t been imposed upon.

Sometimes Jones will cancel his policy in the old company and give his newly-appointed agent friend a risk at the lower rate; if both agents represent Board companies, Smith reports the deviation, and that is the end of the chapter. That risk is gone from Smith forever.

Why not require some qualification from the local agent before entrusting him with policies and authority to issue them? In the opinion of this local agent, the practice of permitting board and non-board companies to be represented in the SAME AGENCY works injuriously to both.

We all know that the average property-owner, when given a rate, will complain that it is too high; that he can do better, etc., etc. He doesn’t always mean what he says, nor believe it, and the agent who has only one class of indemnity in his shop can very often, by patient explanation, convince his customer that the rate is just. On the other hand, if he has two kinds, it is only human for him to “fall down,” when there is danger of losing the risk, and offer a lower rate. The non-board company suffers in reputation, for the agent who represents both is forced to admit that one policy is INFERIOR indemnity to the other. What else can he say? Can he insist that the security offered by each company is equally good, claiming that his board company charges a rate much higher than experience has proven the risk to be worth, in order that a large surplus may be provided or that fat dividends be divided among the stockholders? (He isn’t loyal if he makes use of such argument.) Or will he contend that his non-board company is controlled by men who, actuated by a high sense of honor (and no wish to make money), have no desire to exact any greater premium than the indemnity furnished is worth?

In either case, is not the party seeking insurance somewhat justified in entertaining a shadowy belief that the business of insurance is a queer one anyhow, based on no well-defined principles, but left entirely to the caprice of the individuals having charge of the company's affairs? Has he not cause to doubt whether the lower rate offered is not, in itself, much higher than it should be, and greater than the non-board company would ask him to pay if yet another company could be found to take the risk for less?

Let the Board and non-Board agencies be separated, each standing on its own bottom, and it will be better for all concerned.

The writer had intended asking some conundrums about the manner in which a basis is arrived at for the payment of commissions to local agents. Whether the local, who is paid 20 per cent or 25 per cent commission, allowed office rent, buggy hire, and liberal advertising, is supposed to do the most business, and if so whether the additional outlays result in profit to his companies.

But these are unimportant trifles, and I refrain.

How would it do for the respected President of your Association to send out a circular to each local agent on the Coast, asking him to participate in a "Convention of Locals" to meet in your city some time during the coming Summer?

The convention might be held under the auspices of your body, and no doubt many "Locals" would avail themselves of the opportunity to meet their fellow-workers in the vineyard and discuss matters of interest to themselves. After being "braced up" by their Chiefs they would return home, refreshed and encouraged to carry on the battle anew.

Hoping that you will have a pleasant meeting, and with best wishes for the success of your organization, I subscribe myself,

LOCAL AGENT.

Mr. C. D. Haven: This is certainly a paper of no mean ability; and I move that Mr. Brodrick be elected an honorary member of this Association, and that the rules be suspended and the Secretary cast the ballot of the Association.

The motion was carried, and Mr. W. J. Brodrick declared elected.

The President: Before we adjourn, let me say Mr. Sexton's paper, on the apportionment of non-concurrent policies, will be worth hearing. This subject has been a bug-a-boo to insurance men; but we hope we have a solution of the problem through Mr. Sexton.

Mr. T. A. Mitchell: I suggest that Mr. T. C. Grant be invited to prepare a paper in reply to the paper read by Mr. Nichols.

Mr. Grant is requested to prepare a paper.

On motion, adjourned to 2.15 P. M.

## AFTERNOON SESSION,

The meeting was called to order at 2.15 P. M.

The President: Please give your attention, gentlemen, to the remarks of Mr. E. E. Potter.

Mr. E. E. Potter:—

MR. PRESIDENT AND GENTLEMEN: Not having been able to be present to listen to the reading of the interesting communications of this session, and in time only to catch a portion of the interesting contribution of Mr. Van Ness, prompts me to make just a few suggestions; and in doing so I may touch on and perhaps repeat some things that have already been said. Referring to Mr. Van Ness' suggestion, that both the assured and company subscribe to the policy, I beg to state that I adopted this custom in part several years ago, and am to-day using it, so far as relates to growing-grain policies. My object in so doing was to estop the assured when the loss occurs from saying that he did not answer such and such questions in his application; a duplicate of the questions and his answers are on the back of his policy, and to which he subscribes his name. Would say that this system among Life Insurance Companies prompted my action in this direction.

Another clause contained in the policies of the "Sun" Insurance Company, of which I am Secretary, is: "In case of total destruction by fire of the building herein insured, and this Company shall pay a less amount than the amount insured thereon, this Company shall refund to the assured one year's premium on the difference in the amount insured on such building, and the amount paid." We all know that in court the one thing governing most juries is, if the Company took the premiums on one thousand dollars, they should pay one thousand dollars when the loss occurs. This clause I think will present a claim of fairness on the part of the Company, and tend to throw the responsibility of over-insurance on the assured. Another clause I have adopted in my policy would, I think, before a jury benefit us; namely, defining who is agent of the Company. We are aware that most policies state that "any person, other than the assured and," etc., "shall be deemed to be the agent of the assured," etc., to which I add: "Unless he or they are salaried employees or are regularly commissioned agents." It is folly to suppose that either of the latter are agents of the assured. The jury therefore very sensibly remark that under the ordinary form no distinction is made; that they have done so is, I think, partially the fault of the companies.

I believe it possible to bring the matter of insurance on buildings in such a light before our legislators that they will understand that it is purely a matter of indemnity; that for public safety the assured should be co-insurer; and that instead of passing a valued policy bill, they will pass one providing that the assured in no case shall recover more than three-fourths of the value of the building insured, the same being totally destroyed; and I affirm that my loss return premium clause, to which I have just referred, would assist the passage of such a bill; this might possibly be limited to the building where the fire originated. A few words more on the building question and I am through. Since companies

have adopted the practice of the "Compact System," in the Eastern States, and have found that they are not sufferers by one man, or a department, passing on all of their risks in that department, would it not be valuable to those of us who are not familiar with, or incompetent to judge, the value of buildings, to add to this rating department a building expert, whose duty it should be to estimate on applications on buildings, and investigate such as would seem to him to be over-insured? It is not a difficult matter to make a fair estimate when the dimensions and character of the building are stated in the application. Taking into consideration the slight changes in values in different localities, a practice which some of us have followed for years, a good mechanic would, in most cases, be able to judge whether a building is over-insured by merely glancing at the dimensions, etc. The expense, I judge, would be insignificant with the amount saved from incendiary work, as well as by law suits and dissatisfaction after the loss occurs.

Some years ago I called your attention to the "Hazard" family. That so long as some companies adopted one classification, others another, and still others none, it indicated nothing but a non-concurrent policy; and where loss occurred the assured damned the whole hazard family. Now, I observe, in the last issue of the *Monitor*, that some of the companies are changing their classifications and renewing their policies without notifying the assured; and the query is, in case of loss,—in what position will the assured be? Why is it not simpler to say, "on their stock of dry goods, and other merchandise not more hazardous, or such as is usually kept in a dry goods store?" As it is now, often when the Daily Report comes in from a distant point, worded hazardous, non-hazardous, and extra-hazardous, the company is puzzled to know how to classify the risk, not knowing whether it is a wholesale dry goods, grocery, or millinery store.

Mr. C. Mason Kinne read his paper, — Science and Underwriting; or, Microscopic Hazards.

Mr. C. Mason Kinne:—

MR. PRESIDENT AND GENTLEMEN: As a prelude, I want to state that if there is anything that gives me more satisfaction than another, — and you are nearly all in the same boat, — it is the fact that I was born between forty and fifty years ago; that at that particular time one of the most intricate laws of nature brought me into being. In the last half century there has been more thought and attention paid to scientific research, and with better results, than ever before, particularly in the way of applying steam and electricity. We have the telephone and electric light brought into every-day life; and we also find the spectroscope and microscope are made subservient to practical uses. Among the most important, perhaps, is the microscope. The botanist, geologist, physiologist and entomologist, and all the different departments of science, are made to feel the great importance of the microscope. I have naturally alluded to these matters from the fact that I have, perhaps foolishly, given some little thought to scientific research; and among the matters that I have devoted the most attention to are those that would properly come under the field of the microscope; and growing out of this fact comes the paper that I shall read to you, and which is a brief compliance with the demands of your President.

SCIENCE AND UNDERWRITING; OR, MICROSCOPIC  
HAZARDS.

To any one whose heart is in his work, whose whole efforts and thoughts are directed in the way of trying to know more of his profession and the little details and causes which go to make up the grand total, perhaps there is no more fruitful field than in the very business of Fire Underwriting, which claims the attention of each one of us. It is a peculiar occupation,—one which reaches out in a thousand different directions and is at once a profession and a tutor. To the Special Agent and Adjuster, particularly, does it teach self-reliance, habits of careful thought and pertinacity.

Whatever I shall present to you in this paper is an evidence of the latter quality, which has become thoroughly developed in the genial gentleman whose official term as our Presiding Officer closes to-day. He began his operations months ago by insisting that I should prepare something for to-day, and then proceeded to coolly map out the work by suggesting a theme.

While in the broad domain of science there is hardly a branch which does not have an important bearing on the causes of fires, from the chemistry of spontaneous combustion and carbonized wood, to the philosophy of friction, and the rapid combustion and consequent explosion of minutely divided particles of organic matter, we find by looking closer a series of facts that bear upon causes of fires and depreciation of property which are often ignored. These causes are hidden and microscopic, being unseen and minute; but scientific investigation uncovers the one and renders visible the other.

I approach the matter with a certain degree of diffidence, not only from the fact that I make no great pretensions to scientific knowledge, but I fully realize that it is but occasionally, when some insect or vegetable plague makes its ravages very severely felt, that the ridicule which usually attaches to fly-catching and bug-hunting, or the gathering of obscure fungi, gives place to some temporary regard for these occupations, and then only is the entomologist or botanist subsidized that he may discover the cause of the trouble.

In the economy of nature, two forces are constantly at work; aggregation of particles and disintegration of masses. Among the so-called hidden, because usually unseen, elements at work in the way of disintegration, the microscope has revealed the methods pursued and the paths traveled by minute forms of animal and vegetable life, which are often thought of little moment, by reason of being so minute and so insidious. Is it not with just such matters as these that the thinking insurance man should devote some attention?

If the lightning rend, the tornado raze, or the floods sweep away any tangible property, its change of condition is so palpable that there is usually no disagreement as to a destruction or depreciation in value. Yet the fungus, with mycelium spreading through the cell-structure of the plant or timber; the insect wood-borer tunneling its devious course with many dips, spurs and angles; the *teredo* and *limnoria* feasting on the woody fibre of submerged structures, are all fulfilling their destiny in their personal struggle for existence, and tearing down no less surely than the more palpable forces in nature, what other days have built up.

But do these facts have any bearing upon insurance and insurable property? Have Underwriting and Science any interests in common? Let us see. If the microscopic world is teeming with its myriad forms of life, they can aggregate a force greater than the storm, as effectual to destroy as the lightning or the flood. Slower, but none the less sure, does the destruction take place. They change the physical hazard in many cases, and have an important bearing on the moral hazard in others. Their approaches are so insidious that statistics are at fault, and yet the loss almost certain. We know that a well-constructed building in the course of time settles unevenly, and changes occur in the original plan and lines.

A cannery burns; cause, "defective brick-work in heating appliances." A few years ago the whole affair was new. The most skilled mechanics used the best of bricks and mortar, and fire-places and chimneys were solid and true; the foundation was placed at great expense, the piling and timbers sound and substantial. But the embryo *teredo navalis* comes swimming along in the brackish water and lodges in the irregularities of the supporting pile. It is no longer a wanderer seeking for a home; but in excavating one it is at once furnishing itself with food and a domicile. Cutting and carving the toothsome fibres with its calcareous sheath, the happy mollusk breathes through its tail and revels in the consciousness of a life well spent. The *limnoria* adds its drifts and shafts of minuter caliber; the substructure is torn and weakened, unequal pressure is the inevitable result, while cracked fire-places and tottering chimneys cause a fire and destruction of property already damaged and depreciated by these hidden microscopic forces.

One of the finest insurance offices in the far West is finished with California laurel,—"no two pieces alike,"—and the beauty and strength thereof were commensurate with its cost. Partial destruction and consequent depreciation ensues, and what is the cause? The ovipositor of a tiny wood-boring beetle placed the egg of its progeny in the living tree while beautifying the sunny slopes of the Sierras, and the insatiable jaws of the diminutive but growing larvæ of the lusty *coleoptera* accomplish the unlooked-for and astonishing result. The mature laurel wood-borer continues the work, and the deterioration goes on to this day, while the powdered fibre at once denotes the refuse dump at the mouth of the wooden tunnel and the damaging efforts of the insect artisan.

A quartz mill, a flour mill, a factory or machine shop, all have their inherent and manifest physical hazards, in addition to the great and ever-present moral hazard which pervades everything and permeates through the whole business of underwriting; but the hidden elements make themselves felt here as well. Away from the light of day, the parasitical *merulius lacrymans*, or dry-rot fungus, is plying its avocation, sending its subtle threads of mycelium deep into the tissues of the woody substance; and the natural decay of the organic matter is accelerated. Some of these wood-destroying fungi completely devour the tissue, so to speak, while others alter its nature so much that it becomes loose and friable. In either case, the strength of the timber is rapidly destroyed, a corner or other part of the building sags a little, the bearings are out of true, and unthought-of depreciation and physical hazard results. This applies to all structures with wooden foundations; and from the cheapest dwelling to the most expensive factory, none should be built except on brick or stone walls or piers.

But perhaps one of the most rapid and erratic parasites that effect insurable

property is the *trichobasis vera*, a microscopic fungus, commonly known as "rust." The "wheat mildew" and the "smut" are destructive, but slow in their development, which enables the careful local agent to find evidences of the existing trouble, when he properly examines a field of standing grain. But the *rust* attacks cereals, wheat particularly, without any warning. When it is remembered that from a particle of matter, not the 2-1000 part of an inch in diameter, a good-sized puff-ball, or mushroom, will grow in a night, and that a few hours is often time enough for the *peronospora infestans*, or "potato blight," to do its work, the sudden appearance of the rust in a field of wheat may be understood.

The air is filled with the spores which find a lodgment in every field. Their development depends on certain conditions, such as a damp, foggy morning, with a sultry, or what is called a "muggy," day following. Twenty-four hours will serve for the growth and fruition of the fungus; and with its mycelial rootlets penetrating the cell structure, the ripening spores break through the cuticular envelope; the plant is riven and torn; the juices of its life sapped and destroyed, and the promising field of grain is ruined or damaged so that it will not pay for cutting. It has been, perhaps, properly and honestly insured; and yet now arises a moral hazard which was not contemplated at the outset. If not this, one of the contiguous fields is owned by a man who cannot withstand the temptation, and a fire is the result,—"cause unknown," with a hint at tramps.

The destruction wrought by these few of the many tiny foes that could be mentioned can scarcely be over-estimated; and aside from the moral hazard alluded to in the one case, and the physical hazard in the other, all heightened by the agencies referred to, and which properly come before the special agent, as an underwriter, the adjuster who realizes such elements as add to the ordinary and visible causes that render a building or articles less valuable, is prepared with new arguments, when called upon to silence, if not convince, a claimant of the propriety of causing depreciation to figure in an adjustment.

After safely passing the Scylla of profits, how often are we wrecked on the Charybdis of depreciation; therefore, let science be popularized as much as possible. While we study the phases of risks in the way of our new methods of illuminating and heating buildings, the new compounds used in shops, canneries and laboratories, and the modern appliances in mills and factories, let us not forget the little things that become great by their numbers and consequent aggregation of infinitesimal force, all directed toward disintegration and decay.

If we learn the cause of a trouble, and science shows us what it is in these cases, the good result is twofold. The owner of property liable to such ravages can, if he will, take steps to reduce the decay to a minimum, and many times by chemical appliances, better ventilation, or more careful construction, eradicate the evil entirely, while the underwriter can better regulate the proper rate when he knows the cause of a physical or moral hazard, and in other cases reduce amounts and finally cancel a risk that is getting worn-out.

All this may be of no moment to some, abstruse to others, and pedantic to a few; but if I succeed in starting a new train of thought in the minds of any of you, then I shall have brought some good into the business and will be satisfied.

The President: I would like to hear some discussion on Mr. Kinne's paper. I confess I am unable to cope with his animalculæ, fungi and what not. I take his statements for granted.

We are under obligations to Mr. Kinne for this paper; like some others of you, he was exceedingly modest, and I did not feel sure of his paper until the last moment.

Mr. E. W. Carpenter here read his paper on Machinery.

Mr. Carpenter:—

MR. PRESIDENT AND GENTLEMEN: Apologizing for what you have to say has a tendency to make your hearers think less of your efforts than they otherwise would; and I have no doubt but that you will think little enough of what I have to offer, anyway. But I can't refrain from honestly confessing that I am disgusted. When the President asked me to prepare something for this meeting, I tried to do what I could and write out a paper that I thought might perhaps pass for a second average among the other papers read. But when I came here and heard the superior character of the other papers, I felt myself sinking into my boots and wishing my name had been left off the programme. If this paper serves to materially reduce the average merit of the intellectual entertainment attendant upon this meeting, you must lay the blame upon President Grant's shoulders.

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### MACHINERY.

Underwriters have given a full share of their attention to machinery as a subject for insurance and loss adjustment. It is now desired to call your attention thereto as a means for manufacturing insurance dividends out of property-owners' coin. You are asked to briefly inspect the machinery of underwriting.

Each insurance company is a machine that has been set up *avowedly* for some such purpose as supplying the public with better policies than they ever had before on more favorable terms,—*confidentially* (as between the stockholders), for the purpose of grinding out handsome dividends, and *practically*, in most cases, for the purpose of furnishing a position for the engineer. As a rule, this machinery fulfills its mission so far as the first and last are concerned; but if the heavy work recently put upon it is to continue, the over-heating will very seriously interfere with the prospects of the stockholders, and the machine may be, in their case, a lamentable failure. Passing over its experimental tests, let us suppose it to be in full practical operation, and examine in detail its several parts.

First, the Home Office. Do you see that freckled-faced urchin with a scared look and glucose tongue, as he moves about worriedly, like the shuttle of a loom? That is the office boy. To describe him architecturally, we might say that he is the inverted apex of the pyramid upon which all the mistakes of the institution rest. An error committed can usually be traced from the managerial department down through clerk after clerk, in regular gradation, until the office boy is reached at last. He, having no one upon whom he can shift the burden, must, perforce, stand as the confessed culprit; and his lot would not be a happy one were it not for the phenomenal agility with which he can, in acrobatic fashion, toss over his shoulders each pyramid of errors, and await expectantly the next. Nothing seems to ruffle his equanimity, and he goes on misplacing applications, misdirecting envelopes, and misinterpreting orders the same as if nothing had

happened. Notwithstanding his many blunders, which would be amusing if they were not so aggravating, it must be admitted that no member of the office force works harder, or more conscientiously tries to perform half a dozen duties at once, than the boy. His pay is small; but if he is bright and ambitious he will, in course of promotion, add section after section of office detail to his experience, and thus become a more valuable and better remunerated member of the office force than the best of men transplanted into the insurance field, after arriving at maturity. "Give the boys a chance, and raise your own men," is a good rule to be followed when increasing the number of office employees. If you need more help, promote one boy and get another. In this way, yours will indeed be a "home" office to those that have been raised there, and your work will be more faithfully done, according to your own methods, than would otherwise be possible. In pursuing this line of thought, I am impressed with the important part which the healthfulness of the office is to play, not only in the lives of the family of men being raised there, but in the business of the company itself. Bad plumbing, imperfect ventilation and insufficient heating apparatus not only rob the men of their health and lives, but the company of those good services which the most shining ability cannot render when befogged by an ill-odored, stifling, cheerless, and depressing atmosphere. In this case, selfishness indorses what humanity dictates; and it is gratifying to note the increased attention which is being given to the subject of healthfulness by our Pacific Coast offices.

Let's see! We were talking about the office boy. Well, next and highest in importance comes the head officer, be he president, manager or general agent. There are a lot of intermediaries, but they cut so small a figure that they are practically unworthy of consideration.

Among them there is, to be sure, a statistical young man that keeps account of all the one-story brown houses with the chimney on one corner and front door in the middle, that are insured and burned year after year, so that the company may see whether it is getting enough of that class of business to secure the benefits of the law of average and make the "one-story brown houses with," etc., pay for themselves. There is also a minister of finances, whose business it is to try to keep straight the accounts of crooked agents, and to whom remittances without statements, personal checks on local banks, return premiums charged without allowance for unearned commissions, and a demand for more than ten per cent commission by a city broker, are as wormwood and the gall of bitterness. His cup is full about annual statement time; and persons desiring to test their skill in parrying "sabre cuts of Saxon speech" should ask him some stale conundrum about a "cold day" just as he is making up his cash during the last hours of the old year.

Anything relating to the effectiveness of prayer is perhaps out of place in this paper; but the foregoing reference to the financial department suggests, parenthetically, that the insurance commissioners of the several States must commence their new year under conditions comfortably warm, unless the petitions of underwriters are as fully ignored in the other world as in this.

Besides the statistical young man and the minister of finance, we discover among the other obscure attaches of the office a sort of "factotum," who is hired principally to make agents travel in a prescribed path and at the same time make them believe that they are cavorting all over the prairie. He must please the

company by keeping business booming, risks and rates right and agents amiable; and he must please the agents by skilfully mixing a maximum of taffy with a minimum of correctives as he forwards his sugar-coated pills by daily mail. Unimportant as the position may be, it is a trying one, and the man who can fill it with perfect satisfaction to himself, however well he may please his company, is yet to be found. He may, in disposition, be serenity itself; and yet he will have his off days, when every thing seems to run badly, when even the sun seems to have lifted himself wrong end first over the Contra Costa hills, and all the following minutes of the day seem to be freighted with mistakes and annoyances. At such times, he is tempted to believe that the fire business of the next world can have no terrors for him, since he is able to "stand it" in this. On other occasions when, perhaps, a minimum of losses has inordinately developed an amiable disposition, the Sun rises up smiling from his Oakland Home (no charge, Brother Potter), and the hours and minutes chase after him on such butterfly wings as do not disturb the serene air of the office world, and only serve to reflect into the underwriting heart the sunshine of the business. This is the kind of day upon which the aforesaid "factotum's" thoughts do not go out to the agents by way of Yuba Dam. This is the kind of day upon which the finance minister's suggestion to give that agent an extensive section of the warm belt of the next world finds its way into correspondence as follows: "It is with pleasure that we acknowledge receipt of your January statement with remittance as named therein. You have omitted to account for \$2.50 additional premium on policy No. 122,675, and you enter \$8.50 as premium on policy No. 122,683, of which we have never received report; you have made an error of \$10 in your footings, so there is \$12.50 due us, but otherwise all is correct and satisfactory. We have to suggest, however, that when you send us your personal check on your village bank, it is hardly proper to charge us exchange thereon; neither is it necessary to forward it by express as a money package valued at its face, thereby entailing considerable expense which might be avoided by increasing to the extent of three cents your already liberal estimate for postage. But as you are the express agent, these points have not probably occurred to you; so we find no fault, but make these suggestions only for your future guidance.

Our business is showing handsomely, as compared with last year; and to no one do we feel under greater obligations for the improvement than yourselves."

The next page has more of the same sort; and when the office boy mails the letter he finds that the envelop flap *sticks* without wetting.

So much time has been wasted on the unimportant intermediaries between the office boy and President that the thousand-and-one duties of the latter can be only briefly touched upon. The President is the fulcrum which supports in even balance the underwriting end of the machinery on the one side, and the stockholders' end on the other. He can explain to a stockholder the magnificent stroke of policy involved in the passing of a dividend, and to his underwriting brethren the fairness of allowing him to pay fifteen per cent commission to agents where they are paying only ten. He can serve as the connecting link between his company and matters pertaining to legislation and the municipality, represent his company at insurance conventions in such a manner as to get as much free advertising out of it as any one does, and entertain visiting members of the profession so royally as to secure their perpetual good will. His duties do not keep his nose

so constantly on the grindstone as do those of his subordinates; but if any one thinks he has nothing to do he is mistaken. On the contrary, the President often tries to do too much, and, instead of exercising a general supervision over the business, attempts to dip into its minor details, thus piling upon himself the annoyances which might just as well end with his subordinates, and, to a corresponding extent, unfitting him for his more important duties. As the personal representative of the company in its contact with government, other underwriters and the world, he should rise above the petty routine of the business, and not attempt the role of a big wheel trying to do a little wheel's work. Ignoring the fact that he is not liable to be successful in such an effort, his time is more valuable for something else. In making this remark, the chief officer has not been singled out for invidious distinction, but only because his higher position renders more prominent those departures from a strict system which are too much indulged in by all office attaches. Each member of the office force should have his prescribed duties to perform, and should neither assume to act for others nor allow them to act for him. It is hardly a dignified sight that is presented when half the office force, with the boy at one end of the line and the general manager at the other, arrays itself at the counter, like a lot of chippies on a limb, each "chipping in" with his little song, hoping to convince a nervous visitor that he has brought his business to just the right place, only to find that his said business is to solicit a subscription for the grandest literary work of the age, at five dollars per volume, four volumes per year, all to be completed in one hundred years. The gentleman whose elegant conversational powers have secured his employment as counter man *might* to advantage be possibly *interrupted* in his interview with the suspender vendor or the parlor chromo artist. If he happens, however, to be handing a calendar to a small boy at the time, he should not be disturbed. That small boy, whose expectant eyes scintillate just above the edge of the counter, will one day be a property-owner; and when we and our stockholders are all dead and gone will remember the old "time tried and fire-busted," and grieve that it was wiped out by the great conflagration on Goat Island in 1905, thereby preventing such an exhibition of gratitude on his part as would be implied by his offer to insure if rates were a shade lower than those of the shop across the street. The laying of such grand foundations for the future should not be interrupted; but, *as a rule*, the counter man needs no assistance from the balance of the office force. He is usually able to "hold" the applicants for fire alarms, coin wrappers, etc., during the greater portion of the day, and still have time to tell the newspaper man that the gentleman who orders the advertisements is gone to lunch.

A strict system should be maintained, and, as far as possible, I would combine with it, silence. There is, in our offices, too much talking, too much planning, too much discussion of hypothetical cases, too much retailing of insurance gossip, too much rising above the level of good, square, systematic hard work. This is the case to a greater extent on this easy-going Pacific Coast than in the East, and all might, to advantage, resolve to make an improvement in this respect.

But I shall never successfully complete my task if I continue around the office. Let us go out into the field and come in contact with the agents. These are the feeding attachment to the underwriting machine. They are the hoppers through which we receive our grist, and pretty lively hoppers they have to be, too, in

these days of active competition. They should be fastened to the machine as securely as possible, attached by the rivets of personal friendship when practicable. Once attached, the task of adjusting and regulating them begins. Some are disposed to receive any kind of slush on any terms, taking in trash that will not only not manufacture into dividends, but that will choke up and eventually break the machinery. As a certain percentage of the grist sticks to the agency hopper, the latter, if of base metal, does not care whether the machine is able to manufacture anything therefrom or not. This is the kind of hopper not to have; but the trouble is, that we do not always know what kind of stuff our agent is made of until experience and a consultation of our loss register teaches us. Sometimes an agent is frank enough to announce, with a spirit of bravado, that "working for love and affection is played out," and that he purposes a devotion to his own personal profits in the future. The honesty with which he confesses his unscrupulousness enables us to dispense with his services, and employ some one who will act as an agent and not as a leech, and who will work as conscientiously for his employers as if he were engaged at daily wages instead of by the job.

It must, in deference to truth, however, be stated that the unscrupulous agent is permitted, in many cases, to act as a slop-hopper in connection with the underwriting machine, long after his true character is known, and even after he has been discarded by other companies. The employment of such men is a growing evil on this coast, and is daily rendering it more difficult for an agent who has the interests of his company at heart to make any headway. There is probably not one in this room who cannot name half a dozen agents in California whose defalcations to their companies are notorious, and yet who are employed to-day by other companies that hope to derive some benefit from renewal of business obtained during the period when the robberies were being committed. These are the kind of men that demoralize the business by giving enormous rebates and keeping what there is left themselves, and that pay their personal bills in insurance policies that they never remit for. Every week you receive letters from your faithful agents to the effect that such and such risks have been lost because the agent of the X. Y. Z. Company owed the assured, and the latter could get nothing but a policy in payment. Surely the employment of such men does not elevate the profession of underwriting in the minds of the people, and it should be discontinued. The special agents have the matter very much in their own hands, and can and should by co-operation raise the business to a higher plane.

But agents are of different qualities of badness. Besides the maliciously bad agent already referred to, there is the stupidly bad agent. This agent may be likened to the awkward New Foundland puppy who is always pitching over into the milk saucer, getting the cream pitcher around his neck and raising the mischief generally in an honest kind of way, that shows that he does not suspect himself of being amusing. This is the kind of agent whose reports are so generally wrong, that when an opportunity for correction is not at once apparent we are at a loss what course to pursue. We are like the sailor who was nonplussed by the rope that was too long: "If it was too short, I could splice it; but it is too long and I don't know what to do with it."

Following the periods of temporary insanity attendant upon the examination of communication from such agents, we reflect that the agency has, perhaps, been

hastily planted, only scantily watered by a passing shower of wisdom from the Special's lips and not warmed up by that encouraging experience which would keep a larger agency constantly expert. We reflect, too, that many times an agent accepts the company's commission through a friendly regard for the Special who visits him, and that he honestly tries to do the best he can. Too much fault-finding, in such a case, might put the company in a position as embarrassing as that of the postal agent, who commenced "laying down the Gospel" to a mountaineer postmaster. Taking an open candle box, in which two or three letters rattled loosely, from behind the counter, the proprietor of the log store gave it a kick into the middle of the stage road with the remark, "There's your banged old post-office; go and tend it yourself."

There is a certain peculiarity which may attach to agents without reference to merit. The conundrum-asking agent, that wants to know why a three-story frame building, with a family on each floor, should not rate as high as a one-story frame range with three families on one floor, is likely to prove a valuable attaché of the company according as his enquiries are prompted by a desire to learn, or by pure cussedness. As a rule, he is just the man to cultivate with exceptional care, answering such of his conundrums as can be mastered by the human mind, and frankly giving up the rest.

The agent whose risks are always a little different from those of any one else is familiar to all of us. *His* carpenter shops are only places where the applicant keeps his tools and does an odd job now and then; *his* stove pipes through roofs are always "galvanized-iron chimneys;" and the intervening space between *his* risk and its exposure is always occupied by thick foliage "equivalent to a brick wall," so that the exposure should be ignored. Then there is the agent that believes all that the property-owners tell him about rates, the agent with the limber spine, the agent that wants the biggest outfit of supplies, but that dies of old age before he completes his ponderous preparations for doing something, the agent that thinks the field just over the fence looks more promising than his and who neglects his own crop for the purpose of harvesting the "cheat" in his neighbor's territory, and the selling out agency that shows a reduced amount of business with each new incumbent, until its history reminds one of the western road which started as a turnpike, then diminished to a cart path, and finally to a squirrel track, and ran up a tree.

We will skip the many good agents. They require but very little attention elsewhere and none here, so we will come at once to the crowning glory of the insurance business, the Special Agent. Or to drop the "crown of glory" simile, and resume our "machine" literature, we might, in a more homely way, liken him to the belt which serves to connect the different parts of the underwriting machine so that they shall work in harmony. Like a belt, he has good leather in him, is tanned and tough, nearly always on the go; and, if he sometimes "stretches," it is because he *has* to call nine feet six inches ten feet in order to figure the rate *honestly* for the local and enable him to capture the risk. Like a belt, the special agent is modest (I am bound to tell you one thing new at least) and as silently performs his work. The agency-feeding attachment may clatter, and the great wheels of the home office may cause the earth to tremble by their ponderous revolutions; but the special agent glides and slips as noiselessly around as the mellow and modest husband whose stocking foot, at one o'clock in the

morning, fails to accurately tread the upper stair, causing him to backslide to the bottom of the flight, breaking the baluster, demolishing the hat rack, and causing an account of a violent earthquake to be inserted in the next day's paper.

Seriously speaking, the modest feature of the belt is ruinous to our similitude when applied to the special agent; for while his estimate of a fire loss may be so microscopically modest that the assured "cannot see it," he is, on other occasions, fully equal to the task of letting every one know that he has fish to sell, and with him every day is Friday. Well, that's what he's for! The angel Gabriel himself derives much of his importance from his supposed ability to blow his horn when occasion requires; and the usefulness of a special is determined by the same angelic standard. When we refer to "blowing his own horn" we mean, of course, the company's horn; for every member of this association knows how completely he sinks his individuality, even to the extent of having the company's name printed boldly in the centre of his cards while his own blushes in diminutive daisy type, in the southwest corner or over on the back. This is as it should be. A special agent is hired to advertise, not himself, but his company; not to make people believe that he is a splendid fellow, but to convince them that his is a good company; he is hired, not to exhibit his personal style in swell suits, but to trudge through the dust and pace off distances for his maps with the thermometer at 104 in the shade; he is not hired to astonish the village bar-room with tales of his personal exploits or exhibitions of his fluid capacity, but to get out of town, after he has finished his work, as soon as the Lord, the livery-keeper or the locomotive will let him, and go to work somewhere else. The personal friendship of the local agent should assuredly be cultivated; but this personal friendship should be for the special as a representative of his company and not as a representative of egotism and self-aggrandizement. And, it may be added, in all seriousness, in no part of the United States are the field-men more fully governed by a loyal regard for their companies, in this respect, than on the Pacific Coast.

But the special agent, besides fanning the flame of friendship, must wet down the ashes of desolated homes by a stream of coin from the company's treasury; he must mix up with those abominable things, those "shadows on the business," the losses. Losses are differently graded by different experts. The dyspeptic special, who always finds a hair in his butter, a shirt button in his hash and bark in his sausage, as regularly sniffs coal oil in the ruins, and suspicion in the surrounding atmosphere, while the full-fed masticating machine digests a cooked statement with the same readiness that he would the stewed plums and beef *à la mode* of an Oregon tavern. The model adjusting special (whenever discovered) will be found occupying a position between these two extremes; but judging from the alarming increase in the number of incendiary fires of late, his temperament will be more bilious than sanguine, and his faith in human nature will be measured by the number of sofa springs found in the ruins. The home office, the agents and the specials—the several parts composing the machine for manufacturing insurance dividends—have now been severally considered. We have hastily glanced at the machine as set up and in working order.

But a machine, once set up, cannot run indefinitely without overhauling and repairs; and this hall is like unto the "assembly room" of a machine shop, where the principal parts of the machine (except the hopper) appear in their individuality, from time to time, and notably upon the annual return of the present occa-

sion, in order to be brightened up by the brilliant scintillations of a Grant, to be oiled by the unctious tongue of a Bromwell, to be scraped by the keen-edged Sextonian common sense of the Lion management, to be braced up by a positive Hopkins, to have the warps and twists taken out by an even-minded Dornin, and to be re-bored (I whisper it modestly) by the Firemans Fund's Carpenter, to say nothing of the grand possibilities of a final tightening up at the Epicurean work-bench of the Maison Dorée.

However well-made and perfect the machinery, it requires just such treatment as it receives on occasions like this. The cleaning-up and polishing process reduces the friction, permits of comparisons between the corresponding parts of the several sets of machinery, shows the necessity for improvements and new attachments, and when, after a few hours' brief respite, the wheels and belts commence rolling and pulling through another year of labor, — when each personal part of the machine, after leaving this room, finds himself again in his place, helping to grind the initial kernel of the annual grist, he feels better for the brightening up he has received, more self-reliant and more determined to do well his part. He does his work with more confidence than before; and although a better piece of machinery, feels less like one than when he stopped short in the day's routine, to participate in our annual reunion. These occasions, when individuality can have its sway, when we can speak for ourselves instead of as diplomats on behalf of our companies, when we can meet as friends, glad to shake each other by the hand, irrespective of position or allegiance, contribute more towards making life worth the living, and our profession worth the following, than any other feature connected with our calling. That the hall of this association may long serve us the "assembly room" for the component parts of the underwriting machinery on this Coast, and that many years may elapse before the badge of mourning shall announce that a single wheel has been broken or a single belt sundered by the hand of death, is my sincere wish.

The President: In some respects Mr. Carpenter's paper is the funniest I ever listened to; but for real humor I commend you to the paper of Mr. A. R. Gunnison on the "Danger of Over-Insurance." It comes in the shape of a telegram. The Secretary will read: —

"AUSTIN, TEXAS, 19th FEBRUARY, 1883.

"GEO. F. GRANT, PRESIDENT: May the association never bolt in doing right, "for to do right will do good, and to do good is right.

"A. R. GUNNISON."

Mr. Carpenter: I move that a vote of thanks be tendered Mr. Gunnison for the shortest paper furnished. [Laughter.]

NOTE.—The following came to hand too late for the proceedings of the annual meeting: —

AUSTIN, TEXAS, FEBRUARY 12th, 1883.

GEO. F. GRANT, ESQ., PRESIDENT F. U. A. OF PACIFIC:—Dear Sir: By force of circumstances I shall be obliged to make my intended article upon

"Over-Insurance" assume the form of a letter, instead of an essay, and beg your pardon for non-fulfillment of my promise. Being detained longer in Texas than anticipated, I fail to redeem the promise, and, at the same time, miss the pleasures of the annual visit with my friends of the Association,

Which I regret very much !

But must endure.

It's the luck of the Special !

Or Adjuster !

At home, in my desk, are the rough pencilings of my essay.

And there they will remain.

It shows my good intentions.

A certain country, warmer than Texas, this winter, is paved with such,

It is said !

Cold as it is now, Texas has been a hot place for insurance companies the past year,

To the tune of three-fourths of a million —

On the wrong side —

Over income !

This result is due, it is said, to over-insurance, in a great measure,

Hard times, and

Drummers !

Had I fully conceived and brought forth the proposed essay it, no doubt, as usual, would have started out with due praise and wordy laudation of the great and ever-glorious profession of Underwriting,

The bulwark of commerce,

Which it is.

It is well that all articles, on questions of insurance, should start out with that assertion,

That the dear people may not forget it ;

And they will, nevertheless.

I should have said that Underwriters, with all their wisdom, do make some mistakes,

As who do not ?

That one of their greatest errors is over-insurance — issuing a policy at an amount not warranted by the cash value of the property covered —

Not purposely, however ;

Innocently, but

Unfortunately.

No insurance company, wilfully or maliciously, designedly or intentionally, writes a policy upon a building at more than its value,

As a habit,

Unless the company wishes to commit suicide.

As well might a merchant go into business and deliberately make contracts that would eat up all his profits,

And, ultimately, his capital.

Business "hari-kari !"

All well-regulated insurance companies instruct and urge their agents to the greatest carefulness in this matter. "Whatever you do, be careful not to accept

"an application for more than value of property to be covered," is the burden of instructions.

Yet over-insurance, like honors, sometimes is thrust upon them.

And how?

By the fire-fiend, who goes about it with "malice aforethought," and purposely deceives agent and Underwriter. By misrepresentation and fraud he procures the insurance. Sometimes he gets away with the money, after firing his property.

Sometimes he does not!

Most frequently does, however, which is a pity.

Sometimes he gets into jail or State's Prison.

Then he is pardoned out by a soft-hearted Governor.

Pity, again.

By the cupidity of dishonest agents, colluding with the aforesaid fiend.

This is infrequent.

Very!

— More frequently than all these, by the carelessness on the part of the agent. This is often the fault of the company, or special agent, failing to educate the said agent properly, or by their own carelessness in the premises. By a desire to do a large business.

And gilt-edged statements —

Big commissions.

It is said that "over-insurance" causes more arson than all other incentives combined. In fact, it is the incentive to gain the excess of insurance over cash value in nearly all cases. Yet "over-insurance" is, indirectly, invited by some Underwriters,—

By inducements held out.

And how?

By a few unwise Underwriters, who, with a mistaken idea of gaining a fleeting reputation, pay losses too hastily, where doubts of the origin of the fire exist — by paying too hastily when over-insured, and where fraud is too plainly visible.

Without due investigation.

And why?

Hoping, thereby, to build up a reputation for promptness and liberality.

Mistaken policy!

Short-sighted!

"Over-insurance" continues to exist and, doubtless, will so long as the insured will, either wickedly or foolishly, pay premium on more insurance than he can, legally or honestly, hope to recover. So long as we have careless Underwriters,

Hasty settlements,

And ———,

What shall be the remedy?

Not the "valued policy law," which will only increase arson ten-fold, by offering a premium for deception and fraud. That law would punish the unwilling victim of a fraud and crime, deliberately put upon him, and reward the criminal for his rascality, and add a bonus for his crime.

Punish the victim.

Reward the criminal.

For the sake of comparison, how would it do to put the blame just where it belongs? Does not the owner know best the true value of his property? How would it do to make it a crime for a man to insure his property for more than its market value? Make the possession of an over-insuring policy *presumptive evidence* that he intends to fire his property, or make a fraudulent claim after a fire? Will our Solons take this view of the matter and pass a bill accordingly?

Then we will have the insurance millenium.

No more arson!

No adjusters!

But, seriously, much has been done to prevent over-insurance; and the consequent evil that follows,—fraudulent firing and fraudulent claims; and much more can be done by constant and earnest instructions to agents; by carefulness on the agent's part; by thorough investigation of losses on over-insured property; by determined opposition to all fraudulent claims; by careful investigation of values before insuring; by learning how to say "No!"

By saying it—

Decidedly!

And now, Mr. President, you see what I might have been led to do had I attempted to complete an essay on this fruitful subject. By attempting to elucidate all the above points, to argue and explain, to dilate upon them in true essay style; and, perhaps, in doing so, discovering new points to an almost endless extent, might have resulted in more than I dare contemplate.

Not flattering to the writer!

Tiresome to yourself and

Members of the Association!

Trusting that your efforts to make the coming meeting of the Association superior to all that preceded it will be crowned with that success that true merit deserves,—that the exercises will be alike instructive to the members and beneficial to the best interests of underwriting on the Pacific Coast, as it always has been and always will be,

I remain, yours truly,

A. R. GUNNISON.

Mr. William Sexton then read his paper on Apportionment of Loss under Non-concurrent Policies.

MR. PRESIDENT AND MEMBERS OF THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC: GENTLEMEN,—Your Committee, to whom was referred the subject of contribution of compound and non-concurrent policies have had the matter under consideration, and beg leave to make this report.

Underwriters agree that there should be some equitable rule adopted by the companies that would be fair to them, be endorsed by the courts, and do justice to the assured; but there seems to be a fear that, if such a rule were adopted, some small advantages in settling might be lost.

In our experience on this coast, adjusting is more a matter of fair business dealing than of technical science or sharp practice; and we don't find it necessary in representing our offices to bring home a salvage when a loss figures total.

Our office managers find it more pleasant, more business-like, and more profitable, to try to make their money from premiums than from losses.

We can name many of them who have but three questions to ask when loss papers are brought in,—

First. Was the loss honest?

Second. Was the claimant paid what he was entitled to?

Third. Was he satisfied?

This straightforward, business-like, unscientific, non-technical style of dealing with loss claims does more, by making a demand for good indemnity, towards keeping up rates, and making fire insurance popular, than all the rules, resolutions or special pleadings made or indulged in by managers, boards, associations or unions.

With this lesson of fair dealing towards the assured, set us by the men in the chairs, there should be no reason why we of the field cannot agree on and submit for their adoption a rule that will be fair between the companies.

None of us forget our first experience when a non-concurrent or compound policy was construed against us, by the older and sharper adjuster, to the injury of our company and the total wiping out of the small salvage so carefully nursed and dreamed over; who worked in on us whichever rule in the book that best suited his case, or made a new one, that was just as good law as either, and when we inquired of an old field friend as to the legality or justice of such rule, and as to the proper rule to apply in our case, we don't forget the advice we didn't get on that point, and can yet see his quiet smile at our ignorance in looking for a just rule, which said plainer than words, "Sonny, you'll learn in time."

This first dose of sharp practice in fire insurance didn't give us a high opinion of the profession; and when further study of the many rules of contribution discovered to us, that the first or older rules were apparently adopted for the purpose of getting the best of the assured, our admiration was not increased.

These older rules have been set aside when brought before the courts, the decisions of the courts being in substance as follows:—

"That no arrangement of the clauses in the policy shall be used to the disadvantage of the insured; he must be paid, and the dispute, if any, be settled between the underwriters."—*American Decisions*.

"In no case must the contribution clause be construed in such a manner as to throw loss upon the assured, against which he would have been fully protected had his policies been free from that clause."—*English Rule*.

The newer and later rules were made to conform to the decisions of the courts in regard to claimants; but these rules seem to have been made for the purpose of injuring the company not represented at the adjustment, or that so writes its policy that the assured may have at least what he bargained for, by allowing the company that forgets or intentionally neglects to cover portions of the property insured an advantage in the apportionment.

Your Committee can understand why there can be no arbitrary rule, as in marine, for fixing depreciation for wear and tear on property destroyed, and that, in getting at the loss, there would be a difference of opinion as to values, that would have to be settled by agreement between the assured and the adjuster, or, failing to agree, an appraisalment be had; but we cannot see, when the amount of the loss is settled and insurance covering it given, why estimates and guess-work

should not cease, and some plain mathematical rule fix the liability of each company.

It is no credit to underwriting wisdom, that our best text book contains eight or nine rules for the apportionment of compound and non-concurrent policies, all bearing the impress of good insurance authority, and neither apparently made with the intent to do justice to all parties in interest.

The courts having set aside all our rules where they fail to give full indemnity to the assured, while any portion of any policy that can be applied remains unexhausted, they should not be in our text books or policies; and a rule that will give all parties fair play should be adopted.

We are not aware of any cases decided by Courts to fix the liability of the companies to each other under compound and non-concurrent policies; the Courts have so far been contented to let the companies fight this matter between themselves.

The following from W. F. Fox states the case as it is, and points in the proper direction. In referring to these rules, he says:—

“Each of these rules,—Reading, Finn, Albany, General, National Board, and ‘others,’ ‘as value to value,’ ‘as insurance to value,’ ‘as insurance to insurance,’ ‘as loss to insurance,’ adopts an inequitable basis for contribution to loss, and, besides, may fall short of affording indemnity, necessitating a re-adjustment to cover loss, without necessarily restoring all the existing equities between the co-insurers. It is *loss* which governs contribution under limit of insurance.”

The gist of his statement is in the last sentence,—“the loss governs the contribution.” This is the broad rule laid down by the Courts in dealing with the assured, if it takes the last dollar, and should be adopted by the companies in dealing with each other.

Griswold says: “As compound policies are liable for their full amount, or any ratable proportion thereof, upon any one of the items, they must float with the loss in such sums as may be necessary to make good the indemnity on any item, should the *pro rata* proportions fail at any time to accomplish this result, and gives Rule 2194. Compound becomes specific and covers the several items under their protection in the exact proportion of the respective losses.”

Again says: “Re-assessments are made only for the benefit of and to give full indemnity to the insured;” says “occasions where it may be necessary to re-assess unexhausted insurance are so many and so diverse that general instructions only can be given, which, with examples of the *modus operandi* under several different phases as found in the various statements under compound policies to which reference is invited, will make the principle of re-assessments perfectly plain to ordinary comprehension.”

Under any of the later rules given to conform to the rulings of the Courts, a re-assessment, or double distribution of the compound policy must be made if the first distribution fails to pay the loss, thus proving the later rules’ failures. A rule should apply to all cases alike.

The late writers agree that loss governs the contribution. A rule to conform to the Court decisions must distribute all the policies, so far as they will cover, in proportion to the loss. If the total compound insurance covering on A and B is needed to pay the loss on A, it must be so distributed; and as this is good law,

when the total is needed on A, it should be just as good when only a part of it is needed on A.

From this reasoning we get the following rule:—

Apportion the total insurance, general and specific, in the proportion that the total loss bears to the loss on each item, covered by specific or general insurance.

When the loss on any item is greater than the total, general and specific insurance thereon, then such item, with the total insurance thereon, shall not be included in the apportionment.

When the total insurance apportioned to any item exceeds the total specific and general insurance on such item, or when the specific insurance on any item exceeds the insurance apportioned thereto, then such general and specific insurance shall be applied thereon, and an apportionment made, excluding such item or items, and the insurance covering thereon.

When the apportionment to any item covered by general insurance exceeds the specific insurance thereon, the excess shall be supplied from such general insurance covering thereon.

This rule is submitted for your consideration. Its general principle conforms to the rulings of the Courts; and it may, with such amendments as your practical experience will suggest, be made to answer our purpose.

To illustrate the working of this rule, we take example 4, page 709, Griswold, a very simple case, known as the “unsolved problem:”—

Co. A. insures dwelling.....	\$100
Co. B. insures warehouse.....	100
Co. C. insures dwelling and warehouse.....	200
Loss on dwelling, \$250; on warehouse.....	100

Mr. E. F. Rice, of Cincinnati, in one of the most thorough papers on contribution, written for the Association of the Northwest, at Chicago, in 1880, gave twelve different solutions of this problem under various rules, two of which make a loss for the assured, one of \$7, and one of \$25. Griswold gives solutions under examples 4, page 709, and 5, 6, 7 and 8, as follows:—

Example 5. Co. A saves  $16\frac{2}{3}$  per cent, B 25 per cent, and C  $4\frac{1}{16}$  per cent.

Example 6. A pays total, B saves 50 per cent, and C total.

Example 7. A pays total, B saves 36 per cent, C saves  $10\frac{1}{2}$  per cent, and assured is short \$7.

Under example 8, by the Griswold rule, which had to be re-assessed, A pays total, B saves  $33\frac{1}{3}$  per cent, and C saves  $8\frac{1}{3}$  per cent.

Under the rule reported, the solution is as follows:—

(At the suggestion of friend Carpenter, who does all things well, we present this on a big paper for your inspection.)

Total insurance.....	\$400
Total loss.....	\$350

Total loss, \$350; total insurance, \$400; loss on warehouse, \$100; to insurance to pay, \$114 2-7.

Total loss, \$350; total insurance, \$400; loss on dwelling, \$250; to insurance to pay, \$285 5-7.

This gives the following statement:—

COMPANIES.	Dwelling Loss, \$250.		Warehouse Loss, \$100.		Total Loss, \$350.		Saved.
	Ins. \$255 70	Pays.	Ins. \$114 30	Pays.	Ins. \$400.	Pays.	
A.....	\$100 00	\$87 50			\$100 00	\$87 50	121 $\frac{1}{2}$ %
B.....			\$100 00	\$87 50	100 00	87 50	121 $\frac{1}{2}$ %
C.....	185 70	162 50	14 30	12 50	200 00	175 00	121 $\frac{1}{2}$ %
Total. ....	\$285 70	\$250 00	\$114 30	\$100 00	\$400 00	\$350 00	121 $\frac{1}{2}$ %

There is as much reason for salvage floating from one company to another as there is for loss, all three companies covered as partners on dwelling and warehouse, and if partners in loss, must be partners in the salvage.

Non-concurrent insurance under this rule would be apportioned as follows :—

A insures furniture .....	\$200
B insures furniture and fixtures.....	200
Loss on furniture.....	250
Loss on fixtures.....	100

Under the established rule, company B would pay on fixtures \$100, and pro rata with A with the balance \$100, and A's \$200 to pay loss on furniture; A, with \$200 insurance, would pay \$166 $\frac{2}{3}$ , and B, with same amount, would pay \$183 $\frac{1}{3}$ ,—A saving \$33 $\frac{1}{3}$  and B \$16 $\frac{2}{3}$ , because A failed through intent or neglect to insure his customer, thus, contrary to justice, profiting by his own laches.

The rule reported gives the following solutions :—

Total insurance.....	\$400
Total loss.....	350

As loss, \$350, is to insurance, \$400, so is loss on fixtures, \$100, to insurance thereon, \$114.30, and \$350 to \$400, \$250, \$285.70

COMPANIES.	Furniture Loss, \$250.		Furniture and Fixtures Loss, \$100.		Totals.		Saved.
	Ins. \$285 70	Pays.	Ins. \$114 30	Pays.	Ins.	Pays.	
A.....	\$200 00	\$175 00			\$200 00	\$175 00	\$25
B.....	85 70	75 00	\$114 30	\$100 00	200 00	175 00	25
Total. ....	\$285 70	\$250 00	\$114 30	\$100 00	\$400 00	\$350 00	\$50

All of which is respectfully submitted.

WM. SEXTON,  
For Committee.

L. B. Edwards: As everything should have a name, I move that the Rule be called the Sexton Rule.

Mr. Sexton: That would be naming the child before it is born.

The motion was carried.

On motion of Mr. Mitchell, the Secretary was instructed to have copies of the Examples printed.

Mr. Kinne: As this is one of the most important matters that has come before us, if we can possibly harmonize on it, I move that this Rule be the first topic for discussion at the next meeting.

Mr. Wm. Macdonald: This is of so much importance, we should have at least sixty days in which to consider it. If we have our next meeting in a month, I suggest that it be discussed at the following meeting.

Mr. Spencer: If we are to adopt this Rule, I don't think we can have the discussion any too soon. If we don't finish at the first meeting, we can take it up at the second meeting.

Mr. Sexton: I suggest, if you are going to give this Rule a name, to call it the "Pacific Rule."

Mr. Kinne: We will call it the Sexton Rule now, and if it prove a good one we may adopt it as the Pacific Rule; but it is the Sexton Rule so far as heard from.

The President: The motion is, shall the Sexton Rule be the subject for discussion at the next meeting?

The motion was carried.

Under the head of new business, the Secretary presents a bound copy of "The Underwriter" for the year 1882, in the name of Mr. George Cohen, the editor.

Mr. Spencer: I move that a vote of thanks be tendered to Mr. George Cohen.

The motion was carried.

Mr. Carpenter: Under this head I think it would be proper to make some arrangements with reference to the holding of a special meeting to introduce some special features during the visit of the Knight Templars. There may be a great many in-

insurance men coming; and it seems proper to have a committee called the "Conclave Committee," to make special efforts to see that, during the visit of the Sir Knights, we have a meeting at which visiting members of the insurance fraternity shall be present. I make the motion.

Mr. T. C. Grant: I second the motion, that a committee of three be appointed, to be known as the "Conclave Committee," to consider the subject of a meeting to be held August next, and to make special preparations for that meeting.

The motion was carried.

Mr. Kinne: It might be well to leave the appointment of the committee until some other time.

Mr. L. B. Edwards: It may be — I say it *may* be — possible that the mover of this motion will be in a position to appoint that committee, and would not care to appoint himself.

Mr. Carpenter: Not being a Knight Templar, it would not be proper for me to be one of the committee.

The President: I am not sufficiently versed in the mysteries of Knights Templar to know whether it would be proper or not; but this strikes me as being a committee of the Association, and I think, gentlemen, I will appoint the committee.

The committee appointed was Messrs. Carpenter, Sexton and Macdonald.

Mr. Brown: I motion the Secretary be authorized to draw the sum of \$50 for his services.

The motion was carried unanimously.

Mr. Chalmers: I give notice that I will introduce a resolution by which the by-laws of the Association will be changed so that meetings may be held monthly.

Mr. L. B. Edwards: I motion that the President be requested to call monthly meetings until this resolution is acted upon.

The motion was carried.

Mr. Chalmers: I would like to inquire if local agents are eligible to membership in our Association?

Mr. Spencer: Under the present constitution they are not.

Mr. Potter: I offer as a suggestion the advisability of securing a room for a library-room, where the periodicals could be spread out upon tables and be accessible at all times. I am not informed regarding the finances of the Association, or if it is within its means. I offer it as a suggestion.

The President: The Library Committee were kind enough to include me in their councils. This question came before them. We found a room such as Mr. Potter describes; but even with this small expense, and a boy in charge, the Association would be hampered. We have no funds except the annual dues of members. The Board of Underwriters has generously given the use of their rooms to the Association until we can make other arrangements.

Mr. C. Mason Kinne: I notice that the magnitude of losses in the Eastern States has attracted a great deal of attention, as also the subject of inadequate rates. In looking over the doings of sister Associations, I find a resolution similar to the one I am about to read has been presented to one of them, in the hope that it might do something toward lessening the moral hazard of risks, which has been worrying our brothers in the East. I now offer the following resolution, and ask that it be referred to the Committee on Losses and Adjustments, for their more thorough investigation and recommendation:—

*Resolved*, That this Association does hereby recommend to the San Francisco and California Board of Underwriters, and all companies doing business on this coast, the adoption of a three-fourths loss clause on all risks in the country, and in such country towns as are not possessed of fire apparatus or an organized Fire Department, as a measure well calculated to protect the insurance interest.

I offer the resolution as it is; and if you refer it to the Committee on Losses and Adjustments, they can make such amendments as they think proper; and then we can discuss it on its merits.

The President: If there is no objection, it will be referred to the proper committee.

The President: There being no other business, we will proceed to the election of officers. Nominations for President are now in order.

Mr. Geo. W. Spencer: I beg to place in nomination for the office of President of this Association Mr. E. W. Carpenter, who now occupies the position of Vice-President. Mr. Carpenter, by his contributions to, and efforts in behalf of, the Association, has certainly been of great assistance, and we appreciate his services. I am sure he will adorn the President's chair as highly as any one we could select, although he will have a difficult role after the present incumbent retires.

Mr. J. B. Baily: I move the nominations be closed.

The motion was carried.

Mr. T. C. Grant: I move the Seretary be requested to cast the ballot for the Association.

The motion was carried.

The President: Gentlemen, it affords me pleasure to announce the election of Mr. Carpenter. If there is a man in the Association who has, by his work and his influence, contributed to build it up, it is Mr. Carpenter. I congratulate you, gentlemen, on having made so wise a choice.

Mr. Carpenter:—

MR. PRESIDENT AND GENTLEMEN: I wish to assure you that I feel highly the honor you have conferred upon me. At the same time I cannot help but consider that I am placed in a very bad position on one account, and that is that I am the immediate successor of one who has carried the Association through the last year with more enthusiasm than ever before pertained to it, and whose efforts have succeeded in making this the best meeting the Association has ever had. If we are to assemble monthly during the coming year, it will require a great deal of work to keep up the interest in the meetings; and I shall have to rely on each of you to give me all the extra help you can to atone for my own shortcomings. I am glad to hear you express yourselves in a way which seems to show that you give me credit for having tried to do what I could for the benefit of the Association. I have really felt, when I have prepared my papers and read them before this Association, as if I was taking up the valuable time of a set of gentlemen who knew beforehand ten times more than I told them; and it has often seemed to me as if I was making an exhibition of egotism without giving the gentlemen an equivalent for their time. I am thankful for the honor you have conferred on me, and hope you will all do the very best to make the coming year as successful as the one just closed.

Mr. C. Mason Kinne: I take pleasure in nominating for Vice-President—and it is but a stepping-stone to the nomination of President—our old friend, William Sexton.

Mr. Spencer: I move the nominations be closed, and the Secretary cast the ballot for the Association.

The motion was carried, and Mr. Sexton declared elected.  
Mr. William Sexton:—

MR. PRESIDENT AND GENTLEMEN: This is indeed an undertaking for me. All I have to say is that I will fulfill the duties of the position to the best of my ability.

Mr. J. W. Staples: I desire to place in nomination as Secretary and Treasurer of the Association Mr. R. H. Naunton, a gentleman well known to you,—one who will fill the position in every way.

Mr. Kinne: I move that the nominations be closed, and the Secretary cast the ballot for the Association.

The motion was carried, and Mr. Naunton declared elected.

Mr. Wm. Macdonald: I don't think there is anything that gives me more pleasure than getting up now and asking that the thanks of the Association be tendered to the retiring Secretary for the very efficient manner in which he has conducted the office, and performed the laborious duties that have been placed upon him. I think that, in doing this, I only speak the sense of the entire Association. I never have heard any one speak of the retiring Secretary except with love and affection, and with gratitude for his efforts. I move that the thanks of the Association be tendered to Mr. Staples for his efforts in our behalf.

Mr. Oliver Hawes: I move the adoption of the resolution by a rising vote.

The motion was carried.

Mr. George F. Grant here yielded the chair to Mr. E. W. Carpenter.

Mr. J. W. Staples:—

MR. PRESIDENT AND GENTLEMEN: I am deeply moved by your generous action. You not only requite me for my services, but put me under still further obligations by such an expression of good will as is seldom accorded a retiring officer. I have tried to the best of my ability to make the Association a success. I have performed the duties devolving upon me with pleasure; and I feel sure my successor will do the same. I will take this occasion to thank the Association

and to thank each member for the uniform kindness and courtesy that has been shown me in the discharge of my duties as Secretary. Believe me, when I say that, although I am unable to express my sentiments in words, I shall ever hold dear in memory the pleasant relations that have existed. It will be an incentive to me in my future efforts in behalf of the Association.

Mr. Brown: I wish to offer a resolution that the thanks of the Association be tendered to the President just retiring for his very efficient services; also the thanks of the Association to the Vice-President.

Mr. Spencer: That goes without saying. I second the motion  
The motion was carried.

President Carpenter: If any gentleman has anything to offer, now is the time before we adjourn. The annual dinner will be held at the *Maison Dorée* this evening at 7 o'clock, sharp. All are expected to be present.

Mr. Kinne: I move we adjourn subject to the call of the President.

The motion was carried, and the meeting declared adjourned.



## LIST OF MEMBERS.

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- L. L. Bromwell, Secretary, California Insurance Company.  
Geo. F. Grant, Special Agent and Adjuster, North British & Mercantile & German-American Insurance Companies.  
Z. P. Clark, General Agent, Commercial Union Assurance Co.  
Wm. Sexton, Assistant Manager, Lion Fire Insurance Company.  
A. D. Smith, General Agent, Amazon, Northwestern and Manhattan Fire Insurance Companies.  
Geo. W. Spencer, Manager, London & Lancashire, Manchester, Continental and Niagara Insurance Companies.  
J. W. Staples, Special Agent and Adjuster, London & Lancashire, Manchester, Continental and Niagara Insurance Companies.  
E. Brown, General Agent, Phenix, Star and other Insurance Companies.  
A. J. Bryant, President, State Investment and Insurance Company.  
J. R. Garniss, Fire Ins. Adjuster and General Agent, Fidelity & Casualty Co.  
J. D. Bailey, Secretary, Union Insurance Company.  
A. R. Gunnison, Special Agent and Adjuster, Commercial Insurance Company.  
Robert Dickson, Manager, Imperial, London, Northern and Queen Insurance Companies.  
Geo. D. Dornin, Manager, Lion Fire Insurance Company.  
\* Henry Smith, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.  
H. W. Snow, General Agent, American Central and other Insurance Companies.  
W. J. Landers, General Agent, Guardian Assurance Company.  
E. E. Potter, Secretary and Treasurer, Sun Ins. Co. of Cal., and General Agent, Boston Underwriters and Williamsburg City Ins. Cos.  
J. F. Houghton, President, Home Mutual Insurance Company.  
W. J. Callingham, General Agent, South British and National and City of London Insurance Companies.  
†D. L. Kirby, Associate Manager, Royal Canadian Insurance Company.  
†W. W. Dudley, Illinois State Agent, German-American Insurance Company.  
Wm. MacDonald, General Agent, Connecticut and Scottish Union & National Insurance Companies.  
C. T. Hopkins, President, California Insurance Company.  
W. L. Chalmers, Special Agent and Adjuster, Hutchinson & Mann's Agency.  
J. R. Hamilton, Manager, Commercial Union Assurance Company.  
T. C. Grant, General Agent, North British & Mercantile and German-American Insurance Companies.  
Chas. H. Cushing, Secretary, State Investment and Insurance Company.  
\*W. J. Stoddard, Agent, New York Underwriters' Agency, etc.  
A. P. Flint, Manager, Hartford Fire Insurance Company.

- H. R. Mann, Agent, Hutchinson & Mann's Agency.  
 Julius Jacobs, Agent, Jacobs & Easton Agency.  
 Geo. Easton, Agent, Jacobs & Easton Agency.  
 †Jas. Kip, formerly of the London Assurance Company.  
 Samuel D. Mayer, City Agent, Commercial Union Assurance Company.  
 Dave Rorick, Perry, Jefferson Co., Kansas.  
 C. P. Ferry, Inspector of Agencies, and Adjuster, Portland, Oregon.  
 †E. E. Ryan, Agency, 110 La Salle St., Chicago, Ill.  
 Oliver Hawes, General Agent, Connecticut Fire and Scottish Union and National Insurance Companies.  
 S. O. Hunt, Agent, Jonathan Hunt, Son & Co's Agency.  
 D. J. Staples, President, Fireman's Fund Insurance Company.  
 Wm. Frank, General Agent, Hamburg-Madgeburg Fire and City Agent Lion Fire Insurance Companies.  
 \* Henry Balzer, Agent, Svea, North German and Helvetia Insurance Companies.  
 L. Beck, City Agent, New Zealand Insurance Company.  
 C. M. Nichols, Surveyor of the Board of Fire Underwriters.  
 O. H. Cole, Adjuster, Portland, Oregon.  
 T. A. Mitchell, Agent, Jonathan Hunt, Son & Co's Agency.  
 F. F. Stone, Agent, Insurance Companies.  
 C. Mason Kinne, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.  
 J. C. Jennings, General Agent, Manufacturers' and other Insurance Companies.  
 Geo. E. Butler, General Agent, S. F. Agency Phoenix Assurance Company of London, British America and Western Assurance Companies of Canada.  
 Chas. D. Haven, Resident Secretary, Liverpool & London & Globe Insurance Company.  
 E. W. Carpenter, Assistant Secretary, Fireman's Fund Insurance Company.  
 †W. N. Olmsted, 62 Cedar St., Room 10, New York City.  
 Geo. W. Dornin, with Lion Fire Insurance Company.  
 W. P. Thomas, Special Agent and Adjuster, South British and National Insurance and City of London Companies.  
 Louis Mel, Special Agent and Adjuster, Royal, Norwich, Union, and Lancashire Insurance Companies.  
 J. P. Cox, with Hutchinson & Mann's Agency.  
 †J. G. Edwards, Editor *Coast Review*, 320 Sansome St., San Francisco.  
 †A. Hill Jack, General Manager, National Fire & Marine Insurance Company of New Zealand.  
 R. H. Naunton, Manager, Scottish Imperial Ins. Co.  
 Jno. C. Staples, Special Agent and Adjuster, Fireman's Fund Ins. Co.  
 T. E. Pope, Special Agent and Adjuster, Ætna Insurance Company.  
 S. E. Strickland, Special Agent and Adjuster, Butler & Haldan's Agency.  
 S. B. Rikken, Special Agent and Adjuster, Portland, Oregon.  
 Alfred Stillman, General Agent, Manufacturers' and Lorillard Fire Insurance Companies, New York.  
 W. G. Elliott, General Agent, Commercial Fire, United Fireman's and Allemania Insurance Companies.  
 Rudolph Herrold, Surveyor, Hamburg-Bremen and other Insurance Companies.

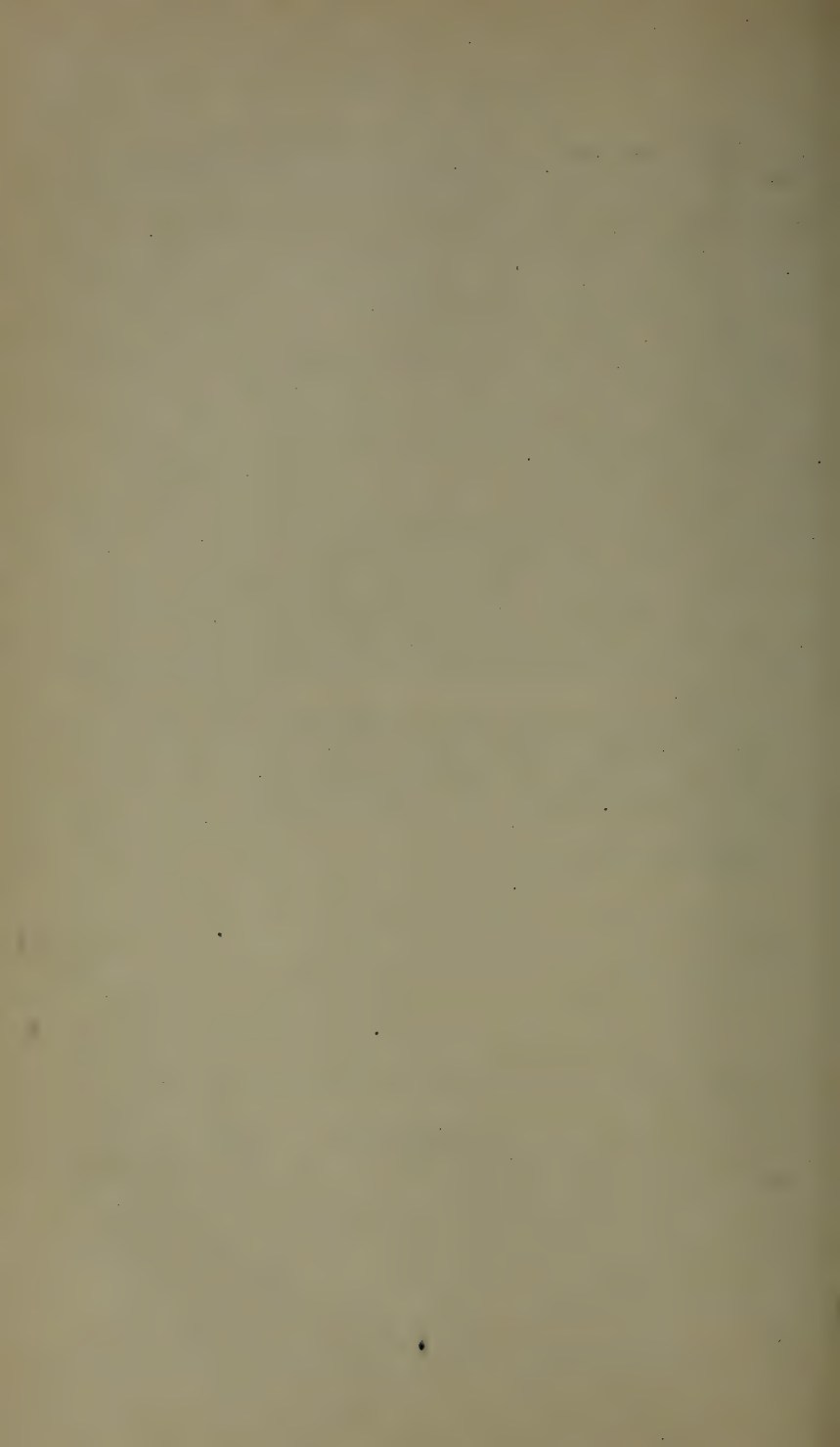
- Thos. W. Fenn, Special Agent and Adjuster, Jacobs & Easton Agency.  
Chas. P. Farnfield, General Agent, Union Insurance Co., San Francisco.  
L. B. Edwards, General Agent, Oakland Home Ins. Co.  
Homer A. Craig, General Agent, Brown, Craig & Co.  
William J. Dutton, Secretary, Fireman's Fund Ins. Co.  
Edward Farnsworth, General Agent, Farnsworth & Son.  
H. K. Belden, Special Agent, Hartford Ins. Co.  
A. C. Donnell, City Agent, California Ins. Co.  
Ferd. K. Rule, Special Agent, Butler & Haldan's Agency.  
B. Faymonville, Special Agent, Fireman's Fund Ins. Co.  
S. D. Ives, Special Agent, Fireman's Fund Ins. Co.  
F. T. Hoyt, General Agent, Oakland Home Ins. Co.  
† C. C. Hine, Editor *Insurance Monitor*, N. Y.  
† W. J. Brodrick, Los Angeles.  
Fulton M. Berry, Special Agent, Hamburg-Madgeburg Ins. Co.  
E. A. Halsey, General Agent, Progress National Ins. Co.  
D. B. Wilson, Special Agent, with Brown, Craig & Co's Agency.  
J. C. Ragsdale, Special Agent, Western Ins. Co. of California.  
Geo. F. Ashton, Special Agent, with Jennings & Stillman's Agency.  
O. N. Hall, Special Agent, with Hutchinson & Mann's Agency.  
A. R. Gurrey, Special Agent, Imperial, London, Northern and Queen Insurance Companies.  
C. B. McHenry, Special Agent, German-American Ins. Co.  
J. W. G. Cofran, Manager, Portland, Oregon.  
H. C. L'hote, Special Agent, Western Ins. Co. of California.  
Geo. F. Staniford, Special Agent, with Callingham's Agency.

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\* Deceased.

† Honorary Members.





# Fire Underwriters' Association of the Pacific.

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## LIST OF OFFICERS FOR 1883-4.

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E. W. CARPENTER,	-	-	-	-	-	-	PRESIDENT.
WM. SEXTON,	-	-	-	-	-	-	VICE-PRESIDENT.
R. H. NAUNTON,	-	-	-	-	-	-	SECRETARY.

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### EXECUTIVE COMMITTEE.

GEO. F. GRANT.	H. W. SNOW.	OLIVER HAWES.
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### STANDING COMMITTEES.

#### LOCAL AGENTS.

W. P. THOMAS.	J. P. COX.	JOHN C. STAPLES.
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#### FORMS OF POLICIES.

E. E. POTTER.	GEO. EASTON.	ROBERT DICKSON.
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#### LOSSES AND ADJUSTMENTS.

W. L. CHALMERS.	J. R. GARNISS.	Z. P. CLARK.
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#### LEGISLATION AND TAXATION.

L. B. EDWARDS.	S. O. HUNT.	W. G. ELLIOTT.
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#### FIRE DEPARTMENT AND WATER SUPPLY.

CHAS. P. FARNFIELD.	CHAS. H. CUSHING.	WM. FRANK.
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#### STATISTICS.

JULIUS JACOBS.	S. E. STRICKLAND.	ALFRED STILLMAN.
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#### LIBRARY.

J. W. STAPLES.	GEO. W. SPENCER.	R. H. NAUNTON
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### CALIFORNIA KNAPSACK.

C. MASON KINNE, Editor.







PROCEEDINGS  
OF THE  
EIGHTH ANNUAL MEETING  
OF THE  
FIRE UNDERWRITERS'  
ASSOCIATION OF THE PACIFIC.



SAN FRANCISCO, FEBRUARY 19 AND 20, 1884.

PRINTED BY ORDER OF THE ASSOCIATION.

1884.

*Geo. Spaulding & Co., Printers,*  
*414 Clay Street.*

# Fire Underwriters' Association of the Pacific.

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E. W. CARPENTER,	-	-	-	-	-	PRESIDENT
WM. SEXTON,	-	-	-	-	-	VICE-PRESIDENT
R. H. NAUNTON,	-	-	-	-	-	SECRETARY

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"CALIFORNIA KNAPSACK."

C. MASON KINNE, Editor.

# PROGRAMME.

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SPARKS AND SPRAY.....	WM. J. DUTTON
UNDERWRITING FROM A LEGAL STANDPOINT...	<div style="display: inline-block; vertical-align: middle;"> <div style="display: inline-block; vertical-align: middle;">LLOYD BALDWIN,</div> <div style="display: inline-block; vertical-align: middle;">Attorney at Law.</div> </div>
SOME EVILS OF THE AGENCY SYSTEM....	G. F. McLELLAN, Los Angeles
"CALIFORNIA KNAPSACK".....	C. MASON KINNE, Editor

# PROCEEDINGS

OF THE

**Eighth Annual Meeting of the Fire Underwriters' Association of the Pacific, held at the Rooms of the Board of Underwriters of the Pacific, 216 Sansome Street, San Francisco, Cal., February 19th and 20th, 1884.**

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## OPENING SESSION.

SAN FRANCISCO, Tuesday, February 19th, 1884.

The eighth annual meeting of the Fire Underwriters' Association of the Pacific was called to order at 10.30 A. M.

President E. W. Carpenter, Assistant Secretary of the Firemans Fund Insurance Company, in the Chair, and R. H. Naunton, Special Agent for Messrs. W. J. Callingham & Co.'s agencies, Secretary.

The roll called by the Secretary noted the following members as present:

G. F. Grant,	A. P. Flint,	J. G. Edwards,
E. W. Carpenter,	Julius Jacobs,	R. H. Naunton,
Tom C. Grant,	S. D. Mayer,	W. G. Elliott,
C. T. Hopkins,	O. Hawes,	R. Herrold,
W. L. Chalmers,	S. O. Hunt,	C. P. Farnfield,
A. D. Smith,	D. J. Staples,	L. B. Edwards,
J. W. Staples,	Wm. Frank,	W. J. Dutton,
E. Brown,	C. M. Nichols,	H. K. Belden,
A. J. Bryant,	T. A. Mitchell,	A. C. Donnell,
J. D. Bailey,	C. M. Kinne,	F. K. Rule,
A. R. Gunnison,	G. E. Butler,	B. Faymonville,
Geo. D. Dornin,	Chas. D. Haven,	F. T. Hoyt,
H. W. Snow,	Geo. W. Dornin,	G. F. Ashton,
J. F. Houghton,	W. P. Thomas,	D. B. Wilson,
W. Macdonald,	H. M. Grant,	F. Jacoby.
Chas. H. Cushing,	Louis Mel,	

On motion, the reading of the minutes of the previous meeting was dispensed with.

The Treasurer's report of receipts and expenditures for the past year was read by the Secretary.

### TREASURER'S REPORT:

*The Fire Underwriters' Association of the Pacific in account with*  
R. H. NAUNTON, *Secretary and Treasurer.*

1883.	DR.	
Feb'y 21.	Balance on hand.....	\$32 23
1884.	Received for dues and admission fees—82 annual dues and 13 admission fees.....	270 00
	Cash received from Library Fund.....	97 60
		<hr/> \$399 83
1883.	CR.	
Feb'y 23.	Paid Executive Committee account of annual dinner.....	36 00
Feb'y 26.	" S Osbourne, reporter.....	40 00
Feb'y 26.	" J. W. Staple, salary.....	50 00
Mar. 3.	" 100 1-cent envelopes.....	1 20
Mar. 26.	" Insurance on Library \$6.00, less 10 % .60....	5 40
Mar. 29.	" H. S. Crocker & Co, printing.....	20 50
Mar. 29.	" 100 1-cent envelopes.....	1 20
April 10.	" Postage and rubber stamp.....	2 00
April 14.	" H. S. Crocker & Co.....	3 50
May 15.	" Lecount Bros, printing.....	5 10
July 2,	" H. S. Crocker & Co., printing annual state- ment.....	177 60
July 12,	" Telegram.....	40
Aug. 6,	" Stanley & Davis, printing.....	7 25
Aug. 6,	" 200 1-cent envelopes.....	2 45
Nov. 1,	" Payot, Upham & Co., Letter Book.....	1 25
1884.		
Jan. 31.	" Haines, knapsack notices.....	1 00
Jan. 31.	" Stanley & Davis, printing.....	2 50
Jan. 31.	" Insurance on Library \$6.00, less com'n.....	5 40
		<hr/> 362 75
	Balance on hand.....	<hr/> \$37 08

E. and O. E. San Francisco February 19th, 1883.

R. H. NAUNTON,  
Treasurer.

On motion, the reports of the Secretary and Treasurer were accepted and approved.

President Carpenter then addressed the Association as follows:

### PRESIDENT'S ADDRESS.

GENTLEMEN OF THE UNDERWRITERS' ASSOCIATION: The duty of a president is to preside. So, in electing me to this position you probably fancied that you had secured a respite from those long papers of mine to which you have been so considerate as to give your respectful attention at our last four annual meetings. May I so far disappoint you as to ask your attention to a few remarks that would not probably come within the purview of the regular reports or papers?

This meeting marks the formal close of the

#### EIGHTH YEAR OF THE UNDERWRITERS' ASSOCIATION OF THE PACIFIC.

Since the nucleus of this organization was created October 28th, 1875, its membership (now numbering 82) has steadily augmented and its meetings have increased in interest. Our last annual session was the most successful we ever had and the revival then inaugurated has been remarkably well maintained during the year. The inability of members to be present has necessitated the omission of only three of the monthly meetings provided for by the amendment to the constitution, and I have often been surprised, considering the urgent duties which whirl about us, that the attendance has been so large.

Our more recent sessions have been in the nature of "experience meetings," at which different gentlemen have declared a dividend from their experience account to the other members of the association. It has not been found necessary to set up a predetermined subject for the members to aim their intellectual guns at, but a spontaneity of topics that has been a revelation to most of us, has existed. Those who have not attended the meetings may have imagined that a bare quorum have assembled here from month to month, and in a half-hearted way, gone through the formalities of a session, but such gentlemen deceive themselves, and I hope that during the coming year they will learn the value of these meetings by participating therein. To these gentlemen I would say that the one or two hours spent at such a meeting is

#### NOT TIME STOLEN

from the company in whose service you are enlisted, but on the contrary, it yields returns to that company fully as valuable as could be obtained from the same period devoted to your routine duties. Strange as it may seem, none of us "know it all." An interchange of views increases our stock of knowledge and improves our assortment thereof, rendering us more valuable to our companies and ourselves. It is therefore only the most pressing engagement that should prevent our attendance at each meeting.

One of the most enjoyable events of the past year was the meeting held during

#### CONCLAVE WEEK

at which we had the pleasure of greeting many visiting insurance brethren and extending to them such hospitalities as the limited time which they had at their disposal would permit. Several of these visitors were from the East, and the various sections of the Pacific Coast were well represented. Those visitors left us with feelings of closer acquaintance, and, it is to be hoped, with a higher regard and warmer friendship for the fire underwriters of the Pacific than if no such meeting had been held. We may not often have equally favorable opportunities for meeting our friends from the outside districts, but when we do we should not neglect them. There are other underwriting organizations on this coast, each performing its part, but there is none but this wherein all can meet on a common level and where a visiting underwriter, whatever his views with reference to rules, rates, commissions or compacts, can feel perfectly at home.

The Pacific Coast and San Francisco pride themselves on their

#### HOSPITALITY,

and the underwriters should not be less diligent in exemplifying this virtue than other professions. We all like to be thought well of, especially by those in the same line of business, and in cultivating the friendship of visiting brethren this association can in the future, even more than in the past, find one of its highest spheres of usefulness.

I will not poach upon the preserves of the statistical committee to such an extent as to dwell upon the details of

#### LAST YEAR'S BUSINESS ON THIS COAST.

In a general way we are all prepared to admit that, while losses were only 98 per cent. of those of the previous year, it had its full share of worryment. Among the notable innovations has been the introduction of the compact system, which finds its first lodgment on this coast at Portland.

It is fair to say that it has, thus far, proven more successful than many of us dared to hope. Some of us, who had been obtaining the higher rates in that city, feared that the compact ratings would, practically, be a compromise between board and non-board figures, but such has not been the case. In examining the reports of the company with which I am connected, I have found that the compact rates on one of the principal streets are quite as high as the board rates. So that, while it is probable that those companies that were formerly doing business at the lower rates are most benefited by the compact, it is safe to say that those heretofore selling their policies at the fullest prices are successfully maintaining those figures. Besides, the income of the agent is no longer depleted by rebates to the assured, and the San Francisco manager no longer awaits with dread the arrival of the Portland steamer with envelopes full of complaints about what some "other fellow" is doing.

But, aside from its immediate advantages, there is a

#### LESSON OF THE COMPACT

which far outweighs in importance any matters pertaining exclusively to Portland. What is that lesson? It is the lesson which teaches that it is practicable for all companies on this Coast to do business on a common basis, that it is *not* necessary for a small company to have a low rate in order to get its share of business, and that it is possible for the companies to be honest towards each other. Why, then, should the Pacific Coast longer continue to be a battle-field between high rate and low rate warriors? Why should not all our agents quit war as a business and resume the more peaceful pursuit of selling policies to the people? The compact system may be found too cumbersome or expensive for any save the larger cities, but in places of moderate size local boards are practicable, and these could be under the supervision of the nearest compact manager. For risks outside of towns a tariff of rates, such as are now in use by board companies, should be made to apply.

#### ONE CENTRAL ORGANIZATION

here in San Francisco ought to be able to control this whole system of machinery, and I can see no reason, unless the "pure cussedness" of human nature be assigned as one, why such a system should not be put into operation at an early day.

There is no reason why the misty lack of faith in each other which has overhung the business in the past should not be swept away. When one of us goes to another company and obtains its individual agreement to a certain proposition, we believe it will keep faith with us, and so we might call upon each company in turn until all had been visited (as was recently done in the case of an agreement pertaining to quartz mill rates), and we should have full faith in the honesty of our co-laborers; but, somehow or other, when a *general* agreement is made, each company begins to "tremble in its boots" for fear it shall be the only honest one in the lot and be left behind in the race for business. Two prominent causes for this trepidation have been the insinuating and sometimes equivocal statements of brokers, and misunderstandings arising from such imperfections as are inseparable from all rate books. The compact system in the larger places where brokers most do congregate would abate the first evil, while the formation of local boards in the places next in size, and the comparative simplicity of such rate-book rules as would apply to the more sparsely settled sections, would reduce to a minimum any chance for a misunderstanding of the tariff.

While neither the "sunset glows" nor the compact system can be considered the immediate harbingers of the millennium, I can see no serious objection to the practical adoption of the programme indicated and the advent of a new era of peace and good-will to insurance men.

There would seem to be no necessity for rival sets of machinery in accomplishing the good work. The underwriting organizations should unite their forces; the display of "brigadier-generals" would not be quite as extensive

as at present, but the increased harmony and greatly augmented chances of success would reconcile us to their loss.

While this Association repudiates any desire to become a party to the details of the programme just outlined, it is to be hoped that the foregoing suggestions may be carefully weighed by such gentlemen present as have it in their power, by their individual effort or through the medium of other underwriting bodies, to organize an association which shall in fact (whatever its name) represent the united underwriters of the Pacific.

All underwriters on the Coast are beginning to realize that something *must* be done, and the frequent conferences and sessions of committees seem to indicate that

#### THE WORK OF THE CURRENT YEAR

is to be the unification of our interests. During the last two years the ratio of Pacific Coast losses to premiums has been nearly one-third greater than during the two preceding years, and considerably greater (although the exact figures cannot be given) than during the preceding ten years. We all know that the ratio of expense has been continuously increasing, so that between the upper and nether millstones the underwriting profits have been ground exceeding fine. The increased ratio of loss to premium has been partially due to the almost continuous reduction in rate which has been going on. Within the last ten years the Board of Underwriters have, for instance, reduced rates on frame dwellings, under No. 4 rate-book, from 1 00 to .75, on country stores from 2.75 to 2.50, on court house (with jail) from 2.50 to 2 00, on feed stores (no hay or straw) from 3.00 to 2.25, on halls (no scenery) from 3.00 to 2.50, on hand-power printing offices from 3.25 to 2.75, on quartz-mills, steam power, from 4.00 to 3.00, and water power 3.50 to 2.50, and on salmon canneries from 4.00 to 3.00. But these figures do not indicate the full extent of the reduction, for not only have charges for deficiencies and exposures been diminished, but, within the period named, many towns, and, in some cases, whole counties, have been "put under" more favorable rate-books, so that now only a small portion of the Coast, as compared with ten years ago, is rated under book No. 4. Then, again, the Pacific Coast business has extended beyond the limits for which the tariffs of the Board of Underwriters were originally designed, and in Idaho, Montana, Utah, New Mexico and Arizona, companies, in accepting risks, are governed more by their appetites and digestive powers than by any fixed scale of rates. While the number of companies clamoring for business has been increasing, and it has become necessary for managers to push their agencies more and more into the new mining camps and railroad towns in order to hold their volume of business, rates have dropped to about three-fourths what they were ten years ago, and practices, in the shape of concessions to the assured, which would not have been countenanced by any company a few years since, have crept into the business. Can any one truthfully say that all these concessions and reductions have, in the slightest degree, diminished the underbidding competition or increased the amount of business to be obtained? If the number

of insurable buildings in a place could be increased one-half by reducing the rates one-fourth, or if a figure so small that the operation of subtraction could not be performed upon it, could ever be found, there *might* be some sense in these constant reductions, but, under present circumstances, *is there any?*

It is true that we have, on this Coast, had the advantage of a pretty high range of figures to commence our descent from, but we have long since got below the foot-hills and shall soon be premium-hunting in the tules unless we call a halt. It is true that our rates are still higher than in the East, but there is no reason why we should go into the mud up to our necks or seek an oozy burial because some other party has done so.

Let us stop while we are yet on solid ground, and unite for the protection of our business interests! There seems to be more of an inclination on the part of all companies to entertain such an idea, and it is to be hoped that the current year will see it an accomplished fact.

I had intended, on this occasion, to refer somewhat in detail to the

#### HISTORY OF PACIFIC COAST UNDERWRITING,

~~but the importance of the subject just considered, has commanded so much time, that I can scarcely give more than a brief chronological survey of the more prominent events.~~

San Francisco's early experience with fires was very unfortunate. Within eighteen months it had five great fires involving a loss roundly stated at sixteen million dollars. The dates of these fires and amounts lost in each, are as follows:

December 24th, 1849.....	\$1,000,000
May 4th, 1850.....	3,000,000
June 14th, 1850.....	3,000,000
May 4th, 1851.....	7,000,000
June 22d, 1851.....	2,000,000
Total.....	\$16,000,000

The field was burned over too frequently to present a very inviting appearance to underwriters, and it was not until 1852 that it was possible to obtain any insurance here. It is a little singular that the first name to become identified with Pacific Coast underwriting was the same as that which has for many years been among the most prominent in our fire insurance circles, that of Haven—the most singular feature being that the two gentlemen bearing this name were not in the slightest degree related.

It was in 1852 that Mr. Joshua P. Haven established the first fire insurance agency on the American portion of the Pacific Coast, his company being the Liverpool & London, (not at that time claiming itself "entitled" to the rest of the "Globe"), which had, probably, been previously established at Panama. That Mr. Haven met with reasonable success is evident from the fact that the next year saw seven more companies, the Monarch, Home, Washington, Park, Niagara, Royal and Imperial, enter the field. Next, in 1855, came the Northern Assurance and Continental, and in 1856 the Phoenix of Hartford, and the Unity.

On the sixth of January, 1857, these twelve companies formed the

FIRST UNDERWRITING ASSOCIATION,

and the same was known as the "Board of Fire Insurance." Joshua P. Haven was President, and E. R. Falkner, Secretary. Its regular meetings were held quarterly, and one of its earliest acts was the appropriation of \$50 per month to be paid to a detective officer for assistance in bringing incendiaries to justice. This organization was endowed with all the virtues usual to newly organized boards, it being provided, among other things, that credit for premiums should not be extended beyond the month in which the risk was written, and that payment, by the company, for the state tax stamp which was then required to be affixed to the policy, should be considered a reduction of rate and a violation of the rules.

The total premiums of these companies for 1857, presumably all on city business, was \$145,644, nearly one-half of which was in the Liverpool & London, the Imperial coming next, but still far behind in order of receipts. As the city premiums were last year \$1,937,462, it will be seen that San Francisco business has increased over thirteen times during the last twenty-seven years. The rates charged would seem high to us now, but they were low enough for that day. The very best brick building, favorably located, was charged two per cent., and no hair-splitting provisos with reference to "clear spaces" were considered when rating a frame dwelling at five per cent.

In 1858, (July 12th,) the first local insurance company was incorporated, and was called the German Mutual. The fact that it was able to continue business for ten years without any capital at all, is pretty good evidence that rates were adequate in those days.

The "Board of Fire Insurance" gradually relapsed into a comatose state and was succeeded by the

SECOND UNDERWRITING ASSOCIATION,

called the San Francisco Board of Fire Underwriters, organized Jan. 11th, 1861. The insurance companies were at that time threatened with hostile legislation, and one of the first things the new board did was to agree to donate \$600 per quarter to the charitable fund of the San Francisco Fire Department, the members of the department agreeing to use their influence in opposition to the legislation referred to. This board also contributed liberally in aid of the sufferers by the Sacramento flood in 1862. It limited the commission to be paid to brokers to 5 per cent. (those were such *good* old times) and provided for a "block survey" of the city, fifty copies to be furnished at an expense of \$2,500. Rates outside of San Francisco were fixed at double the city tariff, excepting at Sacramento, Marysville, Stockton, San Jose and Portland, and in those the rates were to be 50 per cent. higher than here.

In 1861 three more local companies were organized, viz: California Mutual Marine, San Francisco Fire, and California Lloyds.

In 1862 (April 15th), the legislature passed an act requiring fire insurance companies not incorporated under California laws to make a deposit with some banker approved by the State, of securities to the amount of \$75,000.

One of the effects of this law was to bring into existence the following year (1863) four new local companies, viz: Merchant's Mutual Marine, Pacific, Firemans Fund, and California Home. In 1864, the Home Mutual came into existence, and the California Mutual Marine reorganized as the California Insurance Co. In 1865, the Occidental, Union, and National Ins. Co's were organized, and in 1866 Mooney's creation, the "Builders," which, like Mooneyville by the Sea, furnished its sensation for the hour and then was un-built so speedily that its patrons, with a "what-are-the-wild-waves-saying" look in their faces, were suddenly left without covering or protection, wondering how an institution, erected by the aid of the numerous plumb lines and squares that appeared *ad nauseam* on all its supplies, could be so much inclined to deceit, and warped by fraud, as to be leveled to its sandy foundations by the first official investigation of an insurance commissioner.

On Dec. 15th, 1866, the tariff of the San Francisco Board of Underwriters was suspended, and a war of rates was inaugurated which continued for a little over three years.

In 1867, the California Lloyds discontinued business, and during the same year the Peoples Ins. Co. was incorporated.

#### THE INSURANCE DEPARTMENT

was established by act of the legislature March 26th, 1868, the first commissioner being George W. Mowe. Prior to that time, the Controller of State had charge of the bonds, securities and documents relating to the transaction of insurance business in the State. At the time of the organization of the Insurance Department, the following companies were doing business here:

Outside companies—Etna of Hartford, Hamburg-Bremen, Imperial, Liverpool and London and Globe, Manhattan, North American, Northern Assurance, North British and Mercantile, North China Fire, and Phoenix of Hartford—ten in all.

Local companies—Builders, California, Firemans Fund, German Mutual, Home Mutual, National, Occidental, Pacific, Peoples, San Francisco, and Union—eleven in all.

It will be seen, therefore, that in the eleven years elapsing between 1857 and 1868 the number of companies competing for business had increased from twelve to twenty-one. Among the earliest acts of the insurance department was the winding up of the Builder's Ins. Co. and the German Mutual. By the establishment of the insurance department the law requiring a deposit of \$75,000 by outside companies was repealed, the immediate effect of said repeal being an increase in the number of outside companies from ten in 1868 to twenty in 1869.

In 1868 the Mechanics Ins. Co. was organized, and in 1869 the Oriental.

#### THE THIRD UNDERWRITING ASSOCIATION,

Called the "Board of Fire Underwriters of San Francisco," was organized March 18th, 1870, replacing the San Francisco Board of Fire Underwriters, being practically a re-organization of the latter. This association has, as you

all know, continued up to the present time, its name having been recently changed to "Fire Underwriters of the Pacific," the better to indicate the extent of the territory over which it has jurisdiction. It has almost continuously served the purpose for which it was created during a period of twenty-three years. The officer who has longest retained his position in connection with the organization, and to whose conscientious efforts it is very greatly indebted for its success, is Mr. Charles D. Haven. He has been elected secretary of the "board" for the past fifteen years. Next to him in period of service was Mr. Wm. Lane Booker, who held the office of President for ten years, and next among the veterans comes Mr. D. J. Staples, who has just been elected president for the ninth time.

#### INSURANCE JOURNALISM

on the Coast was inaugurated on September 15th, 1871, when the COAST REVIEW published its first number. Prior to this time the *Spirit of the Times* had devoted a portion of its space to insurance interests, and had adopted *Underwriters' Journal* as a sub-title, but the COAST REVIEW was the first journal to devote itself exclusively to insurance interests. It is fair to say that it has always been found ready to fearlessly expose fraud, to industriously gather and print such facts as may be of special interest to the Pacific Coast underwriters, and to assist in maintaining and promoting the better practices of underwriting.

In 1871 the State Investment and Insurance Company was organized, in 1872 the Commercial, and in 1874 the California Farmers and the Alameda County.

#### THE FOURTH UNDERWRITING ASSOCIATION — THE FIRE PATROL,

supported by assessment on the city premiums of all companies doing business in San Francisco, was organized in 1875. Its present force consists of fifteen men provided with eight horses, four patrol wagons and other necessary apparatus. It has been one of the most successful organizations of the kind in the country. The cost of its maintenance up to January 1st, 1884, has been \$215,875.91, a small sum compared with the amounts which have been saved from fire through its efforts. Among those who have contributed most to the success of this organization, are Mr. Chas. A. Laton, who has been an officer from the beginning, first as secretary and treasurer, but afterwards as president, Mr. Tom C. Grant, who has just been elected secretary and treasurer for the seventh term, and Captain Russell White, who has commanded the patrol since it first went into operation.

#### THE EVENTS SUBSEQUENT TO 1875

are so familiar to all of you that I will only briefly refer to them for the purpose of completing the record.

The fifth underwriting association to be organized was that whose eighth annual session we are now attending, the date of its inception being, as already stated, October 28th, 1875.

In 1878 (December 4th) the Western Insurance Co. was incorporated.

In January, 1879, an "insurance journal" called the *Avalanche* was started, but it died in the following November:

In January, 1880, the Oakland Home Insurance Company was incorporated.

The sixth underwriting association, the California Underwriters, was organized July 14th, 1881.

The last local company to be incorporated was the Sun, which made its appearance above the underwriting horizon in 1882.

In the preceding synopsis we have recorded the births of twenty-four local companies, only nine of which continue to exist. Those that have stepped down and out are the German Mutual, California Mutual Marine (reorganized), San Francisco Fire, California Lloyds, Merchants Mutual Marine, Pacific, California Home, Occidental, Builders, Peoples, Mechanics, Oriental, National, California Farmers and Alameda County. A number of those were burned out by the Chicago fire, but time will not permit entering into details as to the time and manner of their several takings off.

Taking a hasty retrospective glance over the foregoing record, the increase in the business is indicated by the fact that while there was only one company in the field in 1852, there were twelve in 1857, twenty-one in 1868, and ninety-seven in 1884, while premium receipts have increased from \$145,644 in 1857 to \$6,051,707 for the entire Coast in 1883.

The seventh underwriting body, the Compact Association, was formed last year, and it is to be hoped that the eighth, which shall embrace all organizations having the fixing of rules and rates, may date its birth from 1884.

If each one of us would go at the matter in earnest and use his best efforts in behalf of the unification of all underwriting interests on the Coast, it would be speedily demonstrated that one board, whatever its name, was big enough and strong enough to hold us all in the future, as it has done at several periods in the past.

The President—Next in order comes the Paper of Mr. W. P. Thomas, on Local Agents, and as the gentleman is unable to attend, the Secretary has volunteered to read it for him.

The Secretary read Mr. Thomas' paper:

### LOCAL AGENTS.

MR. PRESIDENT AND GENTLEMEN OF THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC—We are inclined to believe that the able President of our Association, Mr. Carpenter, has for once made a mistake—and one for which he will never forgive himself—in selecting this committee to prepare or write a report on Local Agents, if by so doing he expects us to in any way approach, in point of merit and information, the valuable essays that have heretofore been written and read by the older and more able members of our Association on "The Local Agent and his Duties."

The old adage of "nothing new under the sun," cannot be considered as applicable in connection with the duties of a local agent, as hardly a day passes—and surely a loss does not occur—but he, as well as the special or adjuster, learns something new, to them at least.

The duties of a local agent have so often been written, that it seems unnecessary for us to reiterate them at this season. Local agents are not born, but are made good representatives of their companies by continued instructions, both from the specials on the occasion of their visits—or should be—and by correspondence with the managing or head officers of their companies. Their numbers are largely increased yearly, as the productive agricultural or mineral lands of the Pacific Coast are being opened up by the emigrant or miner, who follows the sun in its westward course, obeying the celebrated editor's injunction, by "Going West," or by our own nomadic population, and the ever-extending railroad, with its connecting stage lines, making what has been heretofore almost inaccessible now easy of access. Towns, villages, hamlets, with their accompanying churches and school-houses, are continually springing up. The ever-vigilant and pushing special visits them, concludes his company can make money by writing on a few of the risks. The ranges are not bad just now, and when they do build up, why his company can quietly drop out, unless a few bricks are interspersed, and some protection afforded in the way of a fire department. Should the frame ranges be heavy and a loss occurs, why some other company can pay for it. He, after reaching his conclusion to try it a little while, proceeds to make a diagram of the town, occasionally with the thermometer at over 100° in the shade, and sometimes a foot of snow on the ground. While so engaged in this duty, he is an object of a great deal of curiosity; is asked if he is the assessor, or a real estate agent, and many other questions to ascertain his business. On giving the information that he is the special agent of the largest insurance company on the globe, and is making a map of the town for his company, is asked the name of the company and all about it. His map finished, after a great deal of interruption, he proceeds to look up an agent among the business men of the town; finds some merchant—general merchandise business—who has a good, clean stock, a good building, sixty feet from the nearest exposure, brick chimney; is doing a good business; stands well; a good, clean risk. After a few remarks appoints him as agent, because his company will get one good risk in town, *sure*. Finds out when his present policy expires, shows him how to make out the application for his own risk, gives him the rate for same, and leaves for the next town, promising to send his new appointee full list of agency supplies, a small work on insurance, and a rate-book. Another new agent made and enrolled on the list. And how much instruction has he received from the special in the short space of time he has had for that duty? But little that he can remember after a good night's sleep. In a few days his supplies reach him. He unpacks them, tacks up his sign on the outside of his store, puts his commission in a conspicuous place over his desk, the printed matter under his counter, where it will not only be handy when wanted, but be well covered with dust,

and is ready for business, when it comes. The sign in front is attractive, suggests the propriety of insurance; its advantages pro and con are the topic of conversation among his customers. John Doe, the blacksmith, drops in quietly when our merchant agent is busy, and desires to make an application for a policy on his shop, stock and tools; the whole box full of papers is brought up from under the counter, and an application for insuring dwelling houses and farm property is selected as the proper one to be used on this occasion; a few questions are answered, the more important ones ignored. The diagram as made shows the property entirely detached, when it is really exposed by a livery stable next door, or a steam power frame planing mill 30 feet away. No rate is given or asked, and one amount named to cover both building and contents, and the agent signs the applicant's name, also signs his own name as Agent, sends this apology for an application to the office of the company, requesting the policy forwarded by return mail. It does not reach him, but instead, to his surprise, he receives a letter, containing so many questions about exposures, stove pipes, amount insurance required on building, on stock and on tools, and their present cash values, re-reads the letter, and becomes disgusted with the insurance business. When John Doe comes in to receive his policy, is told that the company cannot understand what is wanted, although they mutually agree the application, through their combined efforts, is as "clear as mud;" and so it is. In how many cases does the letter remain unanswered? John Doe goes without his insurance, and the newly appointed agent arrives at the conclusion that he is not cut out for that business, determines he will have nothing more to do with it, excepting his own, which he must insure for the protection of his creditors, and does it through some old time friend of his, a broker in the city, whom he has known since the fall of '49 or spring of '50. The reason for all this is plain; he at first did not receive the instruction he was entitled to and should from the Special appointing him.

We are of the opinion that the merchant as a rule (there are exceptions, however) does not make a good local agent. His interests are too strongly identical with the profits of sales from his stock in trade, for him to pay but little, if any, attention to the interests of any company he may represent, the commission on the premiums he may collect, being but little compensation for the time necessary to conduct the business in an intelligible manner. He has but little spare time to make out an application properly, for his customers must be waited on or he will lose their trade, and this is of far more importance to him than any other business; from it he makes his living and a few shekels besides, and he can give no time to the Special when he visits him for the purpose of looking over and examining his risks; and, in fact, in many instances does not know the location of some taken by him; has never seen them, but taken the application without inspection; and his company issues the policy, swallows the whole thing until the loss comes, then he, poor fellow, is raked over the coals by the amiable (?) adjuster who finds the company have issued a \$1,000 policy on a \$750 dwelling, or in like ratio on some other property. The matter is either compromised or

fought, and our agent still pursues the even tenor of his way. And how many merchant agents have we, all of us?

But having them so many years, our renewals are kept up. Although we get no new business, they represent other companies, control the business that was given them with but little exertion or solicitation on their part from those who purchase their goods, and owe them for their premiums as well as their grub. Although the company has received the amount due them, after much correspondence and dunning, and if we do leave them for some good, lively rustler, we expect to lose all, or nearly so, of the business on our books, which will go to some of their other companies, and must take our chances fighting for the old as well as the new.

Should a change of agent be determined on, the special works hard to secure a representative with all the necessary qualifications to go for business: spends a day or two with him, sometimes sleeps with him, too, talk and eat insurance, washing it down with an occasional lemonade, or something stronger—this is governed solely by the climate—points out to him the necessity of soliciting business, in order to make a success of his agency; works with him to secure one or more risks, as the case may be, proving to him that personal attention to business does more to advertise him and his company than a whole sheet full of ads; fully explains the system of rating, from a planing mill to a dwelling—bricks and frames—ranges and detached buildings, with their stove-pipes and cotton lining, according to their occupants' business; and as fully impresses on his mind the necessity of closely watching the moral as well as the physical hazard of the risk.

The question of valuation, too, has its consideration, and the propriety of keeping it down to present cash value, irrespective of what it cost, is fully discussed, for the tendency to over-valuation, as is proved by many adjustments, is the rule and not the exception. Depreciation from wear and tear or age, in connection with valuation or location, is also illustrated, applicable alike to buildings and stocks of shelf-worn merchandise, and fully impressed on his mind. A sample application and diagram is filled out and left with him for future reference, and his attention called to the importance of "other insurance," if any—how necessary it is to have it inserted in the application. In all cases, we urge, the amount of other insurance should be specified, instead of the form, "other insurance permitted," which is gradually, through carelessness or a lack of firmness (or, it may be, because of competition) in insisting or holding out for our just rights, too frequently used, thereby waiving one of the most important of our safeguards.

It is also fully explained to our local why the policy should not be issued in the name of the mortgagee, but in the name of the owner of the property, with the usual mortgagee clause, "Loss, if any, payable to ————," thereby fully protecting both mortgagor and mortgagee to the full extent of the loss or policy, should one occur. The forms and manner of indorsement are commented on and illustrations made, and the necessity of copies being mailed to the company the day originals are written is fully impressed on his mind. His register for copies of policies and indorsements is also a topic

of conversation, the question of collections, commissions and remittances are discussed and settled, and our new appointee is informed of the manner in which the company requires its business to be conducted. We cannot too strongly impress upon his mind the necessity of having all the questions on the application fully answered, the diagram correctly made, showing exposures within 100 feet, specific amounts placed on different articles to be insured, and the more important feature of having this application signed by the applicant. Far too many are signed by the local agent for the applicant, and, when they are in the habit of doing this, it should be stopped at once. A local agent cannot be the agent of both parties to the contract. The matter of collection and retention of premiums, instead of remitting them to the company, as it sometimes happens, should be fully entered into, and the local should be strongly cautioned against holding money in his possession which does not belong to him. His interest in same is only his commission on the premium; the remainder belongs to his company, and is only held by him in trust until remitted, which should be done at least once a month. How many of our brother specials have been compelled to visit an agency for the sole purpose of collecting premiums so long outstanding at the office that they became an eye-sore by reason of their prominence, and sometimes they may be to blame for not fully going into the question of remittances—when and how to do it—at date of appointment. When they arrive on the ground and interview their agent who has been so slow in his remittances—the reason why, etc.—they find occasionally that every dollar has been collected by him long ago, and, under a mistaken idea, devoted to his own use, believing that he can at any time replace it. This hopper is empty and no grist in the mill. Occasionally a note is taken from him for the amount due the company, and he is at once relieved of all fears of a criminal prosecution, the company placing themselves in a very unpleasant predicament. These notes are sometimes never paid, but occasionally come to the surface, reminding all concerned of a lack of proper attention to business.

The agent should be fully instructed by the special, and not allowed to wait until after a loss; experience or much painful correspondence with the head office to fully realize them, for the local too, has his troubles and worries as well as the general agent or manager in his San Francisco office. If the agent is a good, practical man, these instructions will be carefully thought over, and the result of his labors prove most satisfactory to the company as well as the special who appointed him, and a strong bond of friendship, both personally and in a business sense is the happy result.

We left our local some time since to work up his business, and on the occasion of our next visit find that he has been visited by every special on the Coast, has taken all their companies, and is now doing a slashing business, his entire front is covered with tin signs—we refer to his building—although he is now proof against anything, after a few preliminaries we get down to solid business and facts, and ascertain that while we had been paying him 15 per cent., he was pre-

vailed upon to accept the majority of the others at 20 per cent. commission, while some pay a small sum towards office rent, and an occasional buggy. His business is divided, and where we had hopes to secure the services of a good agent for our company, we sometimes find that owing to our paying only 15 per cent. on net premiums, we are compelled to take a back seat. This extra 5 per cent. captures a good many, although it does not wing them all, but when our own companies can pay it, how easy it is for us sometimes, brother specials, to go a fishing with the extra 5 per cent. and capture a good agent who represents some other company.

The duties of a local agent are not always confined to securing and giving attention to business before a fire. In course of time he will be apt to have a fire on some risk written by him, and he is placed in a position of uncertainty as to his duty to his company, and at the same time to the assured, for he should act with strict impartiality to both. Here again the special agent should have anticipated what is always liable to occur, and so instructed him that he will under ordinary circumstances know exactly what course to pursue, it is his first duty to inform his company by wire, of the loss, giving the number of the policy, stating the probable amount of loss, then set the mind of the assured easy on the score of adjustment, assuring him that it will be attended to as soon as the adjuster can possibly arrive on the ground; if the loss or damage is on movable property—furniture or stock of merchandise—he is expected to watch the company's interest, see that no further damage accrues, request the assured to separate his damaged from his undamaged goods, this under the conditions of his policies, exercise a watchfulness over them sufficient to prevent further and unnecessary damage or fraud, and do all he can for his company's interest without taking charge of the same, if it is necessary for their protection to remove them to a place of greater safety it should be done at the expense of whoever it may concern; in no case should an agent take possession of property unless to prevent fraud. He should also assist the adjuster in ascertaining the cause of the fire, and in other matters pertaining to his duties. These are a portion of the duties required of a local agent; above all things he should carefully read the printed conditions of his company's policy—it will be a source of great satisfaction to him in connection with good, sound business sense, in time of fires. It requires no small degree of sagacity, tact and gentlemanly bearing in many cases to do justice to all sides, and retain the respect and friendship alike of all parties interested.

We sympathize with the local agent in his struggles, and the difficulties that beset him in a great many instances, and he always receives our congratulations and thanks when he does manage such matters successfully.

The Compact system inaugurated since our last yearly meeting, has been in successful operation since its organization in Portland—agents there working under its management in perfect harmony, and all expressing themselves highly gratified to know that no more rate-cutting, rebating commissions can be allowed, and that they receive the commissions themselves that they earn and are entitled to. This system would undoubtedly be wel-

comed by the agents in the larger cities of this State, as they have security under its workings when properly managed, and a vast amount of unnecessary and unpleasant correspondence is avoided.

It is indeed a pleasure to have a local agent who does take an interest in his business, watches over it carefully, ever on the alert to detect anything wrong and rectifies it at once; whose applications and diagrams are correctly and carefully made, rate figured correctly, collects his premiums and remits them promptly, less (what a rarity these days!) his commission of 15 per cent., with the minimum instead of the maximum charge for postage and exchange, and who, in case of loss, promptly and understandingly informs his company and watches over their interest until the arrival of the adjuster. We are all proud to have such an agent, and appreciate him and his services at their true worth, especially if he refunds the company the return commission on rebates, or return premiums when policies are canceled, instead of using the argument, that, as he secured the premium for his company, he is entitled to the full commission and that the company should pay the return premium, allowing him his full commission for his services.

This report is written at the eleventh hour, and for its sins of commission and omission we crave forgiveness.

Respectfully submitted.

W. P. THOMAS,  
J. P. COX,  
J. C. STAPLES,  
Committee.

The President — Mr. Gunnison has kindly offered to read the next paper, by Mr. Geo. Easton, on Forms of Fire Policies:

### FORMS OF FIRE POLICIES.

MR. PRESIDENT AND GENTLEMEN—At the eleventh hour we are informed that two of the members of our Committee on "Forms and Policies," are absent from the city, and the work of an essay on this subject is left to the writer, who can only say he wishes it had fallen into more competent hands.

The subject is so important and susceptible of such a multitude of suggestions, and so much has already been written upon it by some of the brightest lights in our profession, that we can hardly hope to handle it in an entirely new light; yet, if a single practical suggestion is thrown out, that put in practice will aid us in our daily work, this paper will not have been written in vain.

As "money is the root of all evil," so do bad forms of policies constitute the basis of "all the evils," or at least nearly all, in this business, leading us on to vexatious adjustments and dissensions, due almost entirely to

ambiguous wording and faulty construction of written portions of our policies. This most important portion of our policy, to us, at least, should claim an especial attention; first, because its reformation rests entirely with us, and second, because it is more generally the cause of dissension than any of the printed conditions of our policies, and certainly much oftener comes up for judicial scrutiny and construction of its language.

It is hardly necessary then to occupy your time discussing the printed portion of our policy, that, to most of us, comes prepared for use as it is, without authority to amend or alter it, and while we might suggest amendments based upon our individual experience, we think a few moments can more profitably be occupied in discussing the written portion, the framing of which rests entirely with us.

The ablest minds in our profession have labored to perfect the printed portion of the policy that it may stand the test of judicial scrutiny, and how well the work has been done is attested by the majority of the "decisions" in relation to them, favoring the company when the written portion of the policy has *not* been in conflict with it, or waiver on part of agents, either intentionally or unintentionally *prevented* the reinforcement.

In these days of extensive competition, how prone we are to adopt the amendment of the broker or competing company in order to hold our own, and as all minds have not been schooled alike, the "written forms of policies" on any identical risk are often as varied in language, as one can well imagine.

Brevity and preciseness are the essence of every contract, and while the circumstances surrounding the parties at the time of making such would be the guide in a judicial construction of its language, how obvious is it that especially in a "policy of insurance" where the "circumstances surrounding the parties" would cut a less important figure, that its language should be so plain that he who runs may read; so devoid of technical words that but one true construction could appear to the ordinary business man, and yet withal sufficiently liberal, as to be just and equitable and embody all that was bargained for on either side at the time the contract was made.

The local agent with issuing power needs especial care, for the liberal form of policy issued by one such, leads others to follow his example, and ere long the "blanket form" becomes the rule rather than the exception for all of us, at that particular agency. The use of the personal pronoun at the outset is of vital importance.

The decisions on this subject, so well known to us all, and our own Code in its provisions so clearly defining the question of interest, makes a policy so worded only applicable to the sole and unconditional interest of the party assured and preventing effectually the application of the liability of the company to any other interest, and thus completely protects the company in this regard.

The limitation of occupancy is another matter of importance, self-evident to every intelligent underwriter, giving the company a warranty that the

risk assumed for a stipulated premium at the time of making the contract, shall be kept in good faith by the assured, and no greater hazard assumed at *any time* during the life of the policy than *originally* bargained for.

Many of our "modern policies" entirely omit this important warranty, leaving assured to rightly claim, if he is so disposed, that no understanding was really had, in fact that he was given "carte blanche" in this respect.

Yet this was the intention of the agent, certainly not of the company, whose interests he is bound to protect, but is due to the "bad form" arising from want of proper care in the wording of it, or still worse, following without due consideration the example of a careless competitor.

It is not so easy we find to revamp or correct the agent's "daily" when it comes in showing conclusively that the correction must be made in advance, as it were, by laying down such guides as prudence would dictate, or the intelligence of the party so acting would seem to suggest as necessary. In this connection, we might properly refer to the often careless wording of endorsements, changing in a "twinkling" the original contract, and placing the company in an entirely new position both as to the hazard and risk assumed.

The most important feature of such endorsements, "ceasing to cover as originally written" is entirely omitted in many cases, leaving the company plainly liable for the full amount of the policy in either locality, and so with temporary permits for removal.

Merchandise in transit is often covered in both locations for full amount of policy, by omission of an average clause or some similar protection.

Each new adjustment brings suggestions on this subject of forms of policies, and as the work of the former is entirely in the hands of the members of this association, it is but right and proper that the correction of the latter should come through the same organization.

As the popular feeling is somewhat inimical to insurance corporations, it is policy for a company to make a record in this respect, by adopting such forms as are in perfect keeping with its printed conditions, placing therein such limitations as are consistent with safety, and yet withal, sufficiently liberal to meet the popular demand, and not be compelled through faulty wording of its policy, to meet an issue before a jury, nine-tenths of whom are constitutionally opposed to insurance corporations, and much more zealous in collecting their legal per diem, than in studying up the intricacies of insurance litigation.

We need go no further, occupying your time, pointing out evils we are so well aware of, but look for a remedy that lies within our hands, and entirely within our power to apply.

We do not claim originality for the "remedy," but as it is not patented, we are at liberty to use it.

In an association like this, containing all our talented "field men," what a grand opportunity we have, with the aid of these gentlemen, backed by our labor at the general agency office, to correct many of the bad forms of policies, by preventing such at the start.

It is easier to instruct our agents *how* to properly word the contract, than to amend their daily reports afterwards; easier to prevent than it is to cure, and to accomplish this, let this association through a committee appointed by its president, prepare and submit various forms of policies, applicable to the hazards of the coast, and after such have been discussed, amended if necessary, and adopted, let them be printed in goodly number and go forth stamped, not only with the approval of this association, but with a pledge of adherence thereto by every member thereof.

Then we will have unity, at least in our "forms of policies," and find ours concurrent with our co-insurers in event of loss.

Thus, we will aid and intelligently instruct our sub-agents, where perhaps more than anywhere else, is some such plan as this necessary and easily entered upon.

Without unanimous effort nothing can be accomplished, and each member must or should enter into the spirit of the plan, and give his individual aid; thus we will gradually but surely elevate the standard of our "forms of policies," and our association gain the credit of the *practical* good accomplished.

In our business, there is apt to be too much "theory," too little "practice." Let us make a united effort to uphold the one and carry out the other.

Respectfully submitted,

GEO. EASTON,

For "Committee on Forms of Policies."

The President—Mr. Easton has given us a good, practical, common sense paper, and I think there are many suggestions therein which it would be well to act upon. The next in order comes the paper on Losses and Adjustments, by Mr. W. L. Chalmers.

## LOSSES AND ADJUSTMENTS.

MR. PRESIDENT AND GENTLEMEN OF THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC—The subject of Losses and Adjustments is one of the highest importance in the business of fire underwriting. It is said somewhere in Holy Writ that "offenses must needs come." So in our business, losses must needs come. They are at once the very life and death of insurance companies, for if there were never any losses there would be no necessity for such institutions, and an undue excess of losses causes disaster and ultimate ruin or death.

After a loss comes the adjustment, an equally important factor in our business, requiring the greatest care in order to protect the companies and at the same time do justice to the insured.

Your Committee of this year, instead of delving among the remote ages of antiquity, or furnishing you with elaborate statistics, as was done by their

predecessors of the past two years, propose simply to direct your attention for a few moments to the two great classes of loss—fraudulent and honest ones.

It has been asserted that fully fifty per cent. of all losses are fraudulent, and that in consequence honest insurers have to pay a much higher rate of premium in order to cover losses caused by rogues. We are sorry to say there is much of truth in the assertion, and we believe a similar opinion is entertained by the insurance fraternity throughout the world. We ask how many losses occur where the origin of the fire can be definitely traced? "Cause unknown" appears but too often in our proofs of loss—unknown to the adjuster, but well known to the claimant who may perhaps be a country store-keeper. He is running behind with his remittances; his creditors are pressing him; he has no cash to settle up; is well insured, and soon his store burns up—"cause unknown." Or he may have two or more branch stores in different parts of the country—business is dull, so he conceives the bright idea of selling out to the insurance companies. He removes the bulk of his stock from one store to another and burns up—"cause unknown."

Or again, the claimant may run a free or bonded warehouse and has been stealing the property of his patrons. The day is approaching when the goods will be called for, and his warehouse burns up—"cause unknown." The farmer insures his grain in field for a good round sum; his crop is poor, and prices may be low—a fire comes—"cause unknown." Or again, the manufacturer has been running his mill with old-fashioned machinery, and finding he cannot compete with his neighbor who is using all the latest improvements, desires to put himself on an equal footing, but being unable to do so for want of means, and being well insured, his mill burns down—"cause unknown."

But we need not enumerate; adjusters now present can doubtless recall many such cases in their own experience, where "cause unknown" was sworn to in the proofs, in order to cover up the villainy of the claimants.

Turning from this disagreeable phase of the subject, we remark that there are honest losses which the adjuster takes a kind of melancholy pleasure in handling, and in doing all he consistently can to aid the assured in obtaining a fair and speedy settlement—we say a fair settlement, because even the most honest and well-intentioned claimant often looks at his loss in the first instance through a magnifying glass, as it were. Now, this is only human nature cropping out; the man really believes he has lost so much, and claims it without the slightest intention of defrauding the company. Again, how often do we find claims for loss to property not covered by the policy which the claimant intended to have covered, and fully believed was covered until the fire came, and rudely made him aware of the fact that on some particular item he had no insurance, but still honestly thinks he is entitled to indemnity, and claims it. These different kinds of claims for loss require to be handled with the greatest care, in order to do justice to all concerned.

This brings us to the second branch of our subject, namely, adjustment and adjusters.

The Chairman of this Committee last year, in his very able and instructive paper, characterized the hackneyed expression, "Adjusters are born, not made," as being "the vilest rot." We most heartily agree with him, and assert that "adjusters are made, not born." Experience makes the adjuster, aided by close study and observation, picking up a point here and a point there, which he stores away in his memory for future use.

How seldom do we find two losses presenting identically the same features? Is there not something new in each claim coming before us which requires different treatment—it may be in the loss itself, or in the claimant? We often think that an adjuster ought, in the first instance, to critically study the man he has to deal with, to make himself fully acquainted with all his peculiarities—whether he is one of your easy-going, good-natured, trusting men, with entire confidence in the adjuster, or an ugly-tempered, suspicious individual, who has made up his mind that the adjuster has been sent for the purpose of swindling him out of his just dues. We really believe there are more of the latter class of claimants than of the former, and we regret to have to admit that there is a cause for this, of which we shall say something later on.

If your claimant is a man of the first-named kind, treat him in a kindred spirit; take no advantage of the confidence he reposes in you, but act equitably, as you would wish him to do were your positions reversed. If of the latter class, use your best efforts to disabuse his mind of the false impression he has; rub him down the right way, remembering the good old proverb, "A mild answer turneth away wrath." Keep your temper and you will capture your man; lose it, and he will have you at a disadvantage, and capture you.

There is another class of claimants who require very careful handling. We refer to the ignorant, bull-headed individual, who thinks, and perhaps honestly, that because he has sustained a loss, the matter should be settled by handing him a check for the full amount of his policy. He has paid his money for so much insurance, and fully expects to get it, and no questions asked. We can recall a case of this character, where the claimant was an insurance agent and ought to have known better. There had been a general conflagration; his loss was total. The adjuster admitted it was so, but because he asked the claimant to furnish data to enable him to make up a statement of the loss he became quite indignant, charged the adjuster with putting him to unnecessary trouble, and swore he would not patronize any company requiring such statements. When assured by another adjuster that all companies required such information he vowed he would not insure at all. The above remarks apply more particularly to *honest* claimants.

Now a word or two as to dealing with the other class—*dishonest* ones. Here is where the adjuster must put in his best work; here the time to bring to the surface all the various points and experience he has been storing up. He will find every obstacle thrown in his way that possibly can be to permit

a proper settlement. Claimant will object to do anything in the way of putting his goods in proper shape for the purpose of an appraisalment. He will secrete some of his books (most generally his cash book), refuse to answer questions, run off and bring in his lawyer, who generally, having a fee in view, does all he can to complicate matters. (We take much pleasure in here stating that we have found several honorable exceptions to this remark.) This kind of claimant will squirm and lie, and tell you time and again he is an honest man, and would not for the world take a cent more than he is justly entitled to. All he wants is the amount of his loss, and nothing more; he believes he is insured in an honorable company, and a lot of twaddle of the same kind. *Always look with suspicion upon such a man.* Reverse the adage and believe him to be a rogue until you have found him to be honest.

There are cases where adjusters must take the bull by the horns and talk very plain English to the claimant. (We trust our friend, the editor of the *Knapsack*, will pardon us for relating here a case in point, instead of taking up space in his valuable annual.) Some years ago, in one of our Southern cities, a fire occurred under suspicious circumstances. On reaching the place the adjuster very soon satisfied himself that the whole thing was a fraud; that the claimant not only lied in his sworn statement, but had undoubtedly set fire to the store. Keeping his own counsel (adjusters sometimes say too much), he invited Mr. claimant to meet him at his local agent's office that afternoon at a certain hour, telling him to bring his policy, as he intended to settle with him there and then. Sure enough, at the appointed time he walked claimant, beaming with joyful hope and expectation, delighted to think he had hoodwinked the adjuster, and was to get his money so soon and with so little trouble. Politely asking him to be seated, our adjuster shut the door, locked it, put the key in his pocket, and turning to the now astonished claimant, told him very plainly how he had undoubtedly lied in his statements regarding his loss, and closed his little speech by accusing him of being the author of the fire, hinting at the same time the possibility of the authorities being made cognizant of the whole affair. The adjuster was then astounded with the following proposition: "Without in any way admitting that I set fire to the store, I will say this: I have been desirous of leaving this town for some time, and if you will give me enough to get away upon and forty-eight hours' time, I will receipt in full for all loss, and get up and get." Without a scintilla of evidence that would stand before a jury to fix the guilt upon the assured, what could our adjuster do but let him go?

Two years afterwards, the sheriff of that county told the adjuster that he didn't know but that it was his duty to arrest him for murder, as many inquiries had been made for the assured (by his creditors), and the last seen of him he was in the adjuster's company. The sheriff wanted to know where the body was concealed. This method of adjusting losses, though eminently successful in the case narrated above, is not always so. A Scotch professor once said to his class, "It may be expedient at some time to take a

bull by the horns, young gentlemen, but it is always well to keep in mind the fact that the horns belong to the bull." We have known cases where the adjuster, failing to remember that fact, was tossed.

Before leaving the subject of adjustments, your Committee desire to offer a few remarks regarding a matter closely associated therewith, namely, appraisements. The conditions of our policies say, that in the event of disagreement between the insured and the company, each shall choose an appraiser, who shall be a disinterested party, to determine the amount of loss or damage. Our experience has taught us never to go into an appraisal, more especially in small country towns, unless as a last resort. As a general rule in such places—where everybody knows, and, to a certain extent, is dependent on his neighbor—the adjuster cannot readily secure the services of a totally disinterested man—of a man whose high sense of honor will eclipse his feelings of good-will or sympathy for his burnt-out neighbor. He says to himself: "Well, my friend Smith is a loser by this fire. These insurance companies are rich; they will not miss a few dollars, and some day, perhaps, I myself may be the loser and Smith the appraiser." Or perhaps he may be a mechanic, who cannot afford to run the chance of Smith's passing him by when he comes to rebuild his house or store. Can you blame such men? Avoid, therefore, we say, going into an appraisal in small places, where there is no field for selection. If you find it impossible to settle with the claimant, and there must be an appraisal, send for a good man from another town, a stranger who has no axes to grind and knows neither the assured nor the company. An excellent plan is provided for by some companies in the selection by appraisers of the "third man" or "umpire." He must be chosen from another section or neighborhood, thus clearly showing that there is a recognized necessity for going outside the locality of a loss in order to obtain an equitable award by appraisers. Of course, in large cities these objections do not apply. There the adjuster seldom finds any difficulty in obtaining the services of a disinterested, competent man as appraiser.

Following in natural order the subject of adjustments, comes that of adjusting expenses. Your committee are aware that complaints have been made by some companies doing business on this Coast, of the apparently heavy expenses attending the adjustment of losses; perhaps in some few cases there may be just causes for complaint. We believe, however, that taken as a whole, the expenses on this Coast are no higher than elsewhere if the relative cost of traveling and hotel charges is taken into consideration, together with the long distances over which the adjuster has often to travel to reach the scene of the loss. Adjusters now present can remember when on the occasion of a general conflagration in a Nevada town, where some of them were detained nearly three weeks settling losses, they had to pay two dollars and a half a day for an inferior room, and a dollar and a half for each meal, and everything else equally high. How often do we have to pay a dollar a meal consisting of sole leather steaks, rusty bacon and bean coffee, where if you take pudding you can't have pie? To-day the adjuster is rushing

over an Arizona or New Mexico desert with the thermometer at 120 degrees in the cars. To-morrow it may be he is helping a stage driver to dig his coach and team out of a snow drift on the mountains of California or Nevada, and at the end of his journey have the privilege of luxuriating in miserable quarters and on poor fare. The life of an adjuster is a hard, laborious and responsible one, and is not a protracted picnic as some people seem to think. Companies ought, therefore, to take all these things into kindly consideration; always remember that the "laborer is worthy of his hire." In making these remarks, your committee most emphatically disclaim in any way countenancing illegitimate charges. Officers of companies would be derelict in their duty if they passed such cases without complaint or censure.

At the last monthly meeting of our association, a series of resolutions were offered regarding the proper apportionment of adjusting expenses in cases where these have to be borne by the assured. Your committee have not had time to fully report on that matter. Suffice it meantime to say, that these resolutions are intended to prevent the insured being charged more than his fair pro rata, in cases where the adjusting clause is not on all policies covering on the same loss. Your committee heartily approve and refer the resolutions to their successors, who doubtless will recommend their adoption at our regular meeting next month.

Before bringing this rather rambling paper to a conclusion, your committee would say a word or two more, particularly regarding adjusters.

If you turn to Webster's Dictionary, you will find that the word "adjust" means: "to settle, or bring to a satisfactory state, so that parties are agreed on the result." "Adjustment, the calculation and statement of the amount of indemnity which a party insured is entitled to receive under his policy." "Adjuster, one who adjusts."

If adjusters would at all times act in accordance with Webster's understanding of these words, we would find fewer of that class of claimants already referred to in this paper, who think the adjuster has been sent to swindle them. An adjuster ought to act equitably with the honest claimant, give him his just dues and never force a salvage where there is none legitimately. It is a grand mistake for adjusters to think that unless they can make a salvage by hook or crook, their employers will not deem them capable. Reputable companies will not permit unfair advantage to be taken of little technicalities—"cinching," a man by deducting 25 per cent. depreciation on bottled liquors, knowingly making errors in the statement of loss in order to make a salvage. Such a method of doing business will not pay, and in the end the man who does so, will attain the unenviable notoriety of being at once a disgrace to the company which employs him, and to our honorable profession. That the day may not be far distant when "cinching" will be a thing of the past, and fair dealing the only rule in adjustments, is the sincere wish of your committee.

The important matter of the proper apportionment of loss under non-concurrent policies has been so very ably handled during the past year by Messrs. Kinne and Sexton, that we have thought it advisable not to touch

upon it in this paper. The discussion as to the best method of apportioning such losses is, we believe, still open, and doubtless something will be said regarding it from another quarter.

Respectfully submitted.

WM. L. CHALMERS, Chairman.

Mr. Gunnison—I would suggest that the resolutions presented at our last monthly meeting, mentioned by Mr. Chalmers, should not be referred to the next committee on Losses and Adjustments, but that they should be called up under the head of new business.

It was intended that the resolutions in regard to apportioning expenses on losses where one policy had the adjuster's clause and the other had not, should be discussed at this meeting, and it was expected that some recommendation would be given us by the Committee, and the consideration of the resolutions was deferred for that purpose, as I understand it. I introduced the resolutions at the last meeting and it was referred to this Committee to report on, but I take this report to mean that it be put off indefinitely.

The President—If the gentlemen think best, it would be proper to take up that question right now.

Mr. Chalmers—I move that the discussion of the reports be put off to some other time.

Mr. President—If there is no objection, we will proceed with the regular programme. The next in order is the report of Mr. C. P. Farnfield, on Fire Departments and Water Supply.

## FIRE DEPARTMENTS AND WATER SUPPLY.

MR. PRESIDENT AND MEMBERS OF THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC—The wide field embraced under the title of "Fire Departments and Water Supply" would lead one naturally to suppose that little trouble would be experienced by the average mind in preparing a paper upon this subject, but after a careful reperusal of the many excellent articles presented by my predecessors since the organization of this Association, and also from the chairmen of such committees in kindred associations, I am free to confess that I find it somewhat difficult, without rendering myself liable to the charge of plagiarism.

So far as our own City of San Francisco is concerned, there remains little to add to what has already been said in favor of our Fire Department under

Chief Scannell. He has on almost every occasion, during the past twelve months, nipped in the bud the various fires that have happened, and we have only suffered from two severe conflagrations, namely, the O'Connor, Moffatt & Co. fire, and what has been termed the Stockton street fire. On both occasions the alarm was turned in some considerable time after the fire had broken out, and therefore the flames had obtained a hold very difficult to combat. In the former case the fire was virtually confined to the building in which it originated, and, while the loss was severe to all concerned, yet we are ready to acknowledge that, had it not been for the admirable working of our Fire Department, matters would have been much worse, and instead of companies having to pay about \$265,000, their loss would have been nearly incalculable.

In the second instance, the burnt district was of such a character that to stay the progress of the flames was almost impossible, but all who witnessed the conflagration admit that it was admirably fought, and the Department fully maintained its reputation.

Our water supply has been the cause of much litigation, of discussion and of anxiety to all interested. To follow out the fight that has been going on between the Water Company and the civic authorities would be an endless task; however, matters are now apparently on a more amicable footing, and we may look forward to a kind of *aqua millenium*, and at no very distant date we may anticipate not only considerable improvement in our service but also an increased number of hydrants, which is eminently desirable, for inasmuch as we are called upon to pay taxes for Fire Department purposes, the utility of the Department is seriously impaired when it is unable to carry out its appointed duties, in consequence of any short-comings of the Water Company.

In our larger towns, the water supply is not usually inadequate, but from sheer neglect and indifference the citizens do not take that amount of interest in matters intimately connected with the suppression of fires that they should do. True it is that every now and again we hear or read of spasmodic efforts being made with a view of bringing the Fire Department of this or of that place up to a high standard, but as a general rule these efforts are not made from any special interest the inhabitants feel on the subject with reference to the town in which they dwell, but rather with the idea of being able to compete successfully in any fireman's parade or tournament in which the members may desire to participate. These contests do good in their way; lively competition, no matter in what direction it may tend, is of value, and exhibits of this character by volunteer departments should be encouraged by insurance companies but not supported by their contributions, the latter being an obligation resting upon the residents themselves. We are often applied to for a donation towards defraying the expenses of a fire department in some interior town, and when such assistance is denied, the residents look upon themselves as being considerably aggrieved. I hold that all such applications should be refused, and that it is the duty of good citizens, and not of insurance companies, to see that their department is always ready. Experience teaches us that we never know at what moment or in what quarter a fire—

possibly small in its incipency, but often great in its results—may break out. Volunteer departments are usually found to be sadly wanting at the time they are most needed. Take, for instance, the many fires that have occurred in small towns during the past twelve months, fires that would never have reached the magnitude they attained had it not been for the feeble condition of the department. Often one finds that the helmets, uniforms, etc., or the engine, hook and ladder or hose-cart, to all outward appearances, are all that could be desired, but, like many a luscious fruit—to the eye perfect, at the core rotten—the appearances are full of delusion. Those of our own members whose duties call them into the field should carefully examine into these matters, in every place they may be called upon to visit, not confining themselves to a casual examination only, but to talk seriously to their agents and those of the prominent residents with whom they may come in contact, make themselves acquainted with those they know to be interested, and by these means create an enthusiasm of a practical character, thereby placing all local fire departments on a good, sound, substantial basis.

On this Coast at times we have our seasons of bountiful rains and at other times we have our seasons of drought, these latter, however, fortunately but seldom, unlike many other countries our rains are by no means of a perennial character, and whilst we are usually favored with a supply ample for domestic purposes, the surplus is often of a minimum quantity; the larger towns take measures to collect a certain amount in reservoirs, but in those towns which depend entirely on wells for their supply, and for the wherewithal to extinguish fires, it is almost a hopeless case to do more than prevent the fire from spreading, and the residents seem to think that they have done well if they succeed in saving the lot.

In connection with Fire Departments, there is a subject that should be ever present before us, and was most ably referred to in an address delivered East some few months ago, from which we quote: "That no fire department which was controlled by politics could be relied on, and none but trained firemen were fit soldiers to fight the flames of a conflagration. It is a most notorious and unfortunate fact that nearly all the fire departments of the great American cities are to a greater or lesser degree, mere political machines, controlled as an organized power in the interests of a dominant party; the capacity of a fireman should not be underrated because of his fealty to a political party, but the grievance which has become a great one, a national abuse, is that partisans are selected without regard to their competency as firemen, and many a good, true, reliable and experienced man, who has been practically drilled during a series of years, has been removed from position just when he has become most valuable, to give place to some political henchman who knows no more about fighting fires than a learned pig, but knows only how to fight political foes, which he does with conscienceless energy.

Firemen should be selected on their merits alone, without regard to politics, and where once trained and drilled in fire fighting should never be removed except for cause, and that cause should only be a disciplinary one, not a political."

We are better off in San Francisco than many of our Eastern cities, yet we are not exempt from this evil. Fortunately one power has been on top in this department for many years, but we have seen the evils of this pernicious system, and it is not at all unlikely that we shall see them again.

My predecessor in dealing with the subject of Fire Department and Water Supply, spoke somewhat strongly of the bearing the Fire Patrol hold towards insurance companies and the public at large. It has been a matter of regret to me that the discussion promised on his paper has not taken place, as I am inclined to the opinion that there is considerable method in his madness, and great profit might have arisen from such discussion. It is within the memory of all of us when the Fire Brigades of the City of London were owned and run by insurance companies, that whenever a call was made for an engine, a charge of £5 was levied on the occupant of the house requiring its services.

Prior to the year 1865, the only legal provision relating to fire extinction in London was that certain fire engines should be kept by the several parishes in and around the metropolis, but no provision was made for the attendance of such engines at fires or their working thereat. In 1833, ten of the fire insurance companies, feeling the necessity of protecting their business from losses of inordinate amount, combined in founding the London Fire Engine Establishment; this association was subsequently joined by a large number of the principal offices, was voluntary, and maintained much after the same manner as our Fire Patrol. Its efficiency, however, led to a result never contemplated by its founders. The brigade was summoned on all occasions, and its services never denied; increased efficiency led to increased expenses, and in 1862, owing principally to the growing expenditure, the offices determined to give up the establishment, but offered to transfer it on liberal terms to any authority, the constitution of which should be approved by the Government and the companies. A select committee of the House of Commons recommended a fire brigade should be formed as part of the metropolitan police—eventually the companies transferred free of charge to the Metropolitan Board of Works, the whole of the property, further agreeing to contribute annually a sum equal to £35 per million on sums insured within the metropolitan area, estimated to yield £10,000, the treasury to contribute £10,000, and a metropolitan rate to provide £30,000, £50,000 in all; in 1865, this became law, and with some few modifications is still in force.

Since the first organization of our Fire Patrol its efficiency has been most marked, and like the London Fire Brigade of old, as its efficiency increases so will the cost of its maintenance. Similar establishments would prove of incalculable benefit in other cities on this Coast, and doubtless would be organized were it not for the expense connected therewith—an expense, it may be said, saved indirectly to the companies. But this proposition is of a doubtful character, and it is questionable whether companies in accordance with the views laid down by Mr. Sexton receive, in the long run, an equivalent for the expense attached to maintaining the patrol. I am not for one moment questioning the efficiency of the patrol, or the amount of good it has already done, a careful estimate showing that during the year 1883, about

\$107,200 has been saved to insurance companies alone, but we all know that since its establishment many of our larger houses have materially reduced their lines, relying on the Patrol to render protection. Reducing lines means a reduction in premium receipts to companies, a falling off in income caused by the instruments supplied by the sufferers themselves. Fire Patrols are of undoubted value and have become a necessary adjunct to all well organized Fire Departments, but it would seem that the time will come when the system must be extended to all our principal cities, but like the London Fire Brigade, will be too burdensome for the companies to support, and the expense will fall, where I think it belongs, to the tax-payers of those places requiring such protection.

There are many points of interest that might be touched upon under the heading of "Fire Departments and Water Supply," notably the uses and abuses of the Electric Light, and the dangers and difficulties attending the fighting of fires where the streets are interlaced overhead with telegraph wires, telephone wires and electric light wires; also the numerous gas meters in hidden corners of large buildings with many occupants, rubbish accumulating in their immediate vicinity and never examined, unless by the gas company's official for the purpose of reading off the meter, and then nine times out of ten by the aid of light obtained from a common match. Many a fire classified under the head of "cause unknown," might be placed to this account, if the bottom facts could only be reached.

My attention has recently been called to that provision of the Constitution of the State of California, under which the rate to be collected by Water Companies is fixed annually by the governing body of the city or town. The evil arising from the working of this provision is in my humble opinion clearly set forth in a communication from one of our leading merchants, who is also the president of a Water Company, but in this communication he so clearly defines his views on this subject that I cannot do better than append hereto a copy of his letter, and by this means call your attention to the matter, as it appears to me to be a subject of considerable importance and working great injury to the chances of increasing our water facilities throughout the State by tying the hands of the executive of water incorporations, preventing them not only from obtaining a fair interest on their investments, but, what is of more importance to us, as insurance men, precluding them from spending money in much needed improvements to their mains, multiplying their number of hydrants and increasing the capacity of their reservoirs.

The letter I refer to, reads follows:

"The rates or compensation to be collected by any person, company, or corporation in this State for the use of water supplied to any city and county, or city, or town, or the inhabitants thereof, shall be fixed annually by the Board of Supervisors, or city and county, or city or town council, or other governing body of such city and county, or city, or town, by ordinance or otherwise, in the manner that other ordinances, or legislative acts, or resolu-

tions are passed by such body, and shall continue in force for one year, and no longer. Such ordinances or resolutions shall be passed in the month of February of each year, and take effect on the first day of July thereafter.' I have begun this letter by asking you to quote part of article fourteen of the Constitution of this State, and my justification in addressing you is a hope that the events now transpiring in the principal towns of this State may lead its citizens to consider well the present bearing of the law, and what the effect may be in the future if some alteration is not made in it. I am, it is true, deeply interested in a water company, being president of the water works in San Rafael, but my education has always been to expect, and even desire, some legislative control over the actions, and some limit placed on the charges, of all corporations having the monopoly of the necessities of life. I am, therefore, no advocate for making any *quasi* public corporation the sole judge of what tax it may lay on the public. Confining my argument to water companies alone, it seems to me that the present state of the law is bad for the company, the public, and the municipal authorities who each year have to make the rates. San Rafael, with facilities for storing an almost unlimited quantity of the purest mountain water, has a system of pipes almost worn out, and a limited reservoir capacity which is rapidly becoming too small for the growing requirements of the district. I doubt if any water works in this State are in the condition they ought to be, and the public will find that it is impossible for the various companies to keep their works in a proper state of repair, or arrange for the increased consumption which we all hope the increasing population of this State will so soon demand. As the law now stands, each municipal body in the State must, in February of *each year*, fix the rates to be charged to consumers for the year from the following July. The body fixing these rates is composed of those who are most largely interested in having cheap water, cheap gas, cheap transportation, and everything at such low prices as will induce people to come and settle in their several districts. Presuming, as I am willing to do, the desire of all these parties to do what is equitable, it is hardly in human nature, as at present constituted, to ignore the advantage to be gained by a neighborhood in the beauty of green lawns and well-watered streets, to be had at small cost—and, after all, it is only a corporation that suffers. No association of men is willing to spend money for philanthropic purposes, and soon improvements are neglected, further development is stopped, pipes become rotten, and the district is short of water, the water becomes bad, and the company alone is blamed. No water company will spend money for the necessary development of its works—hardly for their proper preservation—if the shareholders feel that they cannot tell what their income may be beyond the year then current. No body of men can, with perfect fairness, fix rates having on one side their own direct interests, and on the other the interests of a corporation in the prosperity of which they have no concern. It is high time the public recognized this state of affairs. As they now stand, no man will put his money into an enterprise which, in the interest of the public and the shareholders alike, ought to be of the most stable character, but which at present is full of doubt and uncertainty."

Before closing, I would like to throw out a suggestion to this Association with regard to the subject of the various papers to be presented at our annual meetings. Have your standing committees appointed in the usual manner. During the year matters may come up upon which action should be taken, and here the committees would be of service; but do not expect papers on these well-worn subjects from the chairman. A man will often make a useful member of a committee, but, like myself, shrink from writing a paper. Let our President invite those of our members he may see fit to address us at our annual meetings on subjects either chosen by the President or by the member, and I think by this means more interesting matter would be given us. The best men would be selected, and a greater benefit accrue.

C. P. FARNFIELD, Chairman.

The President—Gentlemen, you have heard the paper of Mr. Farnfield read, and I am sure you will agree with me in the opinion that it is an exceptionally good one on this subject. There is another committee whose names are left off the programme, and we may have time to hear from them before we adjourn for lunch. I refer to the dinner committee, consisting of Messrs. Spencer, Grant and Hunt.

Mr. G. F. Grant—The Chairman of the Committee, Mr. Spencer, is not here, and I do not know whether he has prepared a paper on that subject. I can briefly report that preparations for the annual banquet have been made, and suggest that any members intending to be present, who have not already notified the committee, should immediately do so.

Adjournment was then had until 2 o'clock, p. m.

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## AFTERNOON SESSION.

TUESDAY, Feb. 19th, 1884.

The President—The meeting will please come to order. The Secretary will read a resolution offered at our last monthly meeting by Mr. T. W. Fenn, and seconded by Mr. F. T. Hoyt, and carried, to the effect that suitable badges be procured for the use of such members of the Association as may desire to obtain them, said badges to entitle the wearers to pass through the Police lines

at or after a fire. The Committee, consisting of Messrs. Fenn and Hoyt, rendered their report, which was read by the Secretary.

### REPORT OF COMMITTEE ON BADGES.

TO THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC, GENTLEMEN: Your Committee on Badges, to entitle the holder to admission through the line of the police at fires, beg leave to report, that they called upon Chief Engineer Scannell of the Fire Department, and Fire Marshal Durkee, and asked permission for the issuance by the Association of a badge, with the above stated privilege that would be recognized by them.

The request was not only cheerfully granted, but the course highly commended, as now many persons falsely representing themselves to be insurance men obtained admittance, but with the badge in force they would be shut out.

Having obtained this authorization, your committee drew up an agreement, and obtained the signatures of some 35 members, guaranteeing to take and pay each \$2.50 for one badge, and further agreeing to return said badge to the Secretary of the Association on ceasing to be a member; when the \$2.50 would be returned by the Secretary. They next called upon Shreve & Co., and obtained designs, one of which was approved, and an order given for 40. These have been completed and delivered to the subscribers. One has been given to the Chief of Police, who has exhibited it to his men, with the command to recognize it.

He has also volunteered to give the holder of each badge a card, under his signature, directing the police to recognize it. This to be used in case a new man should not be posted. He also highly commended the action of the Association.

The cost of badges are \$2.12½ each, but the subscription was put at \$2.50 to secure the Association against advancing any money for badges not taken, and also to make it an inducement to return when membership ceases.

The Secretary has a record of the numbers, and to whom issued. Having completed their work, which your committee hopes may be approved, with this report, they respectfully ask to be discharged.

T. W. FENN,  
F. T. HOYT,  
Committee.

On motion, the report was accepted and the Committee discharged.

Under a suspension of the rules, the Secretary read the application for membership of Mr. Franz Jacoby, Assistant Manager of the Providence Washington Insurance Co. and he was unanimously elected.

The President—The paper on Statistics is now in order, and will be read by Mr. Julius Jacobs, Chairman of the Committee.

### PAPER ON STATISTICS.

SAN FRANCISCO, February 19, 1884.

TO THE PRESIDENT AND MEMBERS OF THE UNDERWRITERS' ASSOCIATION OF THE PACIFIC: GENTLEMEN — Your Committee on Statistics, in presenting the table accompanying this report, have but followed the plan inaugurated by former committees, being indebted to the *Coast Review* for much of its data. It is a prosy subject, yet full of vital interest to us as underwriters, for it forms the basis of our business, and we hope to hold your attention for a short time, while we comment on the figures as they appear in the table.

There has been a gain to companies in premiums written on State and city business of about  $4\frac{1}{2}$  per cent., but the losses show also a gain of 7 per cent. The loss ratio on city business has increased materially, being the largest during the period over which our table covers, while the State shows a decrease of 5 per cent. On Coast business the premiums have increased  $9\frac{1}{2}$  per cent. over 1882, while the losses have increased but  $2\frac{1}{2}$  per cent.

The figures as given in the accompanying table on losses differ somewhat from the returns in the *Coast Review*, since we have added 5 per cent. for losses under \$100, which are there unrecorded, and if to this were added unreported losses, including contested claims, the loss ratio would appear still higher. Your Committee intended to have added a table of "causes of fires," but lack of time and press of other matters have prevented it. We would, however, respectfully offer it as a suggestion to future committees.

A written report could hardly do this subject justice, without intruding too much upon your time and patience, for, "statistics" being food of a heavy order, are more suited for slow digestion and quiet study, after the feast of reason in which we join to-day. The figures submitted will keep, and bear inspection and study during the coming year, and as we shape our course in accordance with the lesson deducted from them, so will they prove profitable, and your Committee will have thus added their quota to the "guide-posts" along our line of march.

Respectfully submitted.

JULIUS JACOBS, Chairman.

# FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC. 39

## COMPARATIVE TABLE OF CITY AND COUNTY (SAN FRANCISCO AND CALIFORNIA) BUSINESS.

AMOUNT OF FIRE INSURANCE PREMIUMS FOR 1878, 1879, 1880, 1881, 1882 AND 1883  
AND PER CENT. OF SAME RECEIVED BY EACH CLASS OF COMPANIES.

COMPANIES.	PREMIUMS, 1878.					PREMIUMS, 1879.				
	State.	Per cent.	City.	Per cent.	Total.	State.	Per cent.	City.	Per cent.	Total.
California.....	\$491,361	28	\$404,547	23	\$895,908	\$467,125	27	\$341,879	20	\$809,004
Eastern.....	453,949	25	421,382	24	875,331	514,928	30	442,062	26	956,990
Foreign.....	832,234	47	936,048	53	1,768,282	761,285	43	905,725	54	1,667,010
All Companies. ..	\$1,777,544	..	\$1,761,977	..	\$3,539,521	\$1,743,338	..	\$1,689,666	..	\$3,433,004

COMPANIES.	PREMIUMS, 1880.					PREMIUMS, 1881.				
	State.	Per cent.	City.	Per cent.	Total.	State.	Per cent.	City.	Per cent.	Total.
California.....	\$542,355	23	\$339,376	20	\$881,732	\$546,024	27	\$338,444	20	\$884,468
Eastern.....	595,470	31	469,070	28	1,064,541	655,708	32	512,938	30	1,168,646
Foreign.....	786,903	41	887,090	52	1,673,993	855,301	41	913,212	50	1,768,513
All Companies ...	\$1,924,729	..	\$1,695,537	..	\$3,620,266	\$2,057,033	..	\$1,764,594	..	\$3,821,627

COMPANIES.	PREMIUMS, 1882.					PREMIUMS 1883.				
	State.	Per cent.	City.	Per cent.	Total.	State.	Per cent.	City.	Per cent.	Total.
California.....	\$631,390	29	\$337,007	18	\$968,397	\$631,131	28	\$368,946	19	\$1,000,077
Eastern.....	671,559	31	528,998	29	1,200,557	809,530	36	603,714	32	1,413,244
Foreign.....	885,202	40	984,425	53	1,869,627	831,585	36	964,791	49	1,796,376
All Companies ...	\$2,188,151	..	\$1,850,430	..	\$4,038,581	\$2,272,246	..	\$1,937,451	..	\$4,209,697

LOSSES AND PERCENTAGE OF SAME TO TOTAL PREMIUMS AS ABOVE GIVEN.

	LOSSES, 1878.					LOSSES, 1879.				
	State.	Per cent.	City.	Per cent.	Total.	State.	Per cent.	City.	Per cent.	Total.
All Companies.....	\$698,787	39	\$222,437	13	\$921,224	\$932,394	53	\$177,950	11	\$1,110,344

	LOSSES, 1880.					LOSSES, 1881.						
	State.	Per cent.	City.	Per cent.	Total.	Per cent.	State.	Per cent.	City.	Per cent.	Total.	
All Companies .....	\$904,636	47	\$271,034	16	\$1,175,671	32	\$949,380	46	\$331,646	19	\$1,281,026	33

	LOSSES, 1882.					LOSSES 1883.						
	State.	Per cent.	City.	Per cent.	Total.	Per cent.	State.	Per cent.	City.	Per cent.	Total.	
All Companies.....	\$1,219,065	56	\$393,903	21	\$1,612,968	40	\$1,178,253	51	\$615,742	32	\$1,793,995	47

PERCENTAGE OF PREVIOUS YEAR'S BUSINESS LOST OR GAINED BY EACH CLASS OF COMPANIES.

COMPANIES.	1878.			1879.			1880.		
	State.	City.	Total.	State.	City.	Total.	State.	City.	Total.
California .....	-23	-15	-15	-05	-15	-10	+16	-007	+08
Eastern .....	-05	-07	-07	+13	+05	+09	+15	+06	+11
Foreign .....	-08	-03	-03	-09	-03	-06	+03	-02	+004
All Companies .....	-14	-06	-10	-02	-04	-03	+10	-003	+05

COMPANIES.	1881.			1882.			1883.		
	State.	City.	Total.	State.	City.	Total.	State.	City.	Total.
California .....	+006	0	+003	+15	-004	+095	-004	+095	+037
Eastern .....	+10	+09	+09	+02	+03	+03	+20	+14	+18
Foreign .....	+09	+03	+06	+03	+08	+06	-06	-02	-04
All Companies .....	+07	+04	+10	+06	+05	+055	-033	+047	-04

TOTAL COAST BUSINESS SHOWING PREMIUMS AND LOSSES AND PERCENTAGES OF SAME OF EACH CLASS OF COMPANIES FOR 1881, 1882 AND 1883.

COMPANIES.	1881.				1882.				1883.			
	Premiums.	Per cent. ...	Losses....	Per cent. ...	Premiums.	Per cent. ...	Losses....	Per cent. ...	Premiums.	Per cent. ...	Losses....	Per cent. ...
California .....	\$1,190,544	24	\$447,082	26	\$1,338,475	24	\$559,484	21	\$1,435,592	24	\$608,670	22
Eastern .....	1,471,020	30	594,983	31	1,538,261	23	736,058	27	1,911,478	31	843,972	30
Foreign .....	2,276,763	46	708,685	40	2,657,783	48	1,424,396	52	2,710,403	45	1,335,161	48
All Companies ..	\$4,938,327	..	\$1,750,755	..	\$5,534,519	..	\$2,719,938	..	\$6,057,473	..	\$2,787,803	..

Percentage of Losses to Premiums 1881, 35½ per cent.

Percentage of Losses to Premiums 1882, 49 per cent.

Percentage of Losses to Premiums 1883, 46 per cent.

The President—Next in order come the papers of Messrs. Sexton and Kinne on the Apportionment of Losses under non-concurrent Policies. In Mr. Sexton's absence, Mr. F. K. Rule has kindly consented to read his paper.

### MR. SEXTON'S PAPER.

~~MR. PRESIDENT AND MEMBERS OF THE UNDERWRITERS' ASSOCIATION OF THE~~ PACIFIC—In relation to existing rules for the apportionment of non-concurrent insurances our standard authority, Mr. Griswold, says :

"These several rules originated from time to time in the necessity of providing some uniform and definite plan for making an equitable settlement between compound and specific policies, and the parties insured ; each new method resulting from the failure of its predecessor to meet the necessities of the case satisfactorily; and although intended for and offered as general rules, all of them, the American methods especially, seem to have been constructed upon the basis of particular cases, illustrating individual opinions, if not to serve individual interests, rather than embracing any recognized system, or inculcating any broad principle of general applicability in the solution of the problem of apportionment of contributive liability among non-concurrent insurances. Hence they fall short of that universality of application which should characterize general rules upon any subject."

It is not necessary for me here to go over the old rules referred to, Reading, Finn, Albany, National Board, Co-insurance, and others, as I propose to deal with our local home made rules, viz. : the Kinne rule introduced by Mr. Kinne, which has the Finn rule for its basis, and the rule introduced by me at last annual meeting.

The vital principles of the two rules are as follows :

The Kinne rule apportions the '*general*' insurance in proportion of loss to loss, and reapportions the unexhausted balances of the general insurance to supply deficiencies.

The Sexton rule apportions the total '*general and specific*' insurance in proportion of loss to loss.

Of apportionment and reassessment, Mr. Griswold says—

"Occasions where it may be necessary to reassess unexhausted insurance are so many and so diverse that general instructions only can be given." \* \* \*

And of the readjustment of apportionments, he says—

"This may be termed one of the *arcana* of contribution not generally known among fire underwriters ; yet it is so natural an inference to be drawn from the requirements of the law of insurance, viz :

"No apportionment of loss must be made among companies which will not fully indemnify the insured to the amount of the insurance." \* \* \*

"That in the investigation of the liabilities of unexhausted balances upon remaining unpaid losses, its necessity at times becomes not only evident, but exacting." \* \* \*

"But when by any apportionment of the insurance or subsequent re-arrangement of assessments already made, such unappropriated insurance can be made liable for the unpaid indemnity, such reapportionment is simply obligatory."

The decisions of the courts run as follows:

American decisions: "That no arrangement of the clauses of the policy shall be used to the disadvantage of the insured, he must be paid and the dispute, if any, be settled between the underwriters."

English decisions: "In no case must the contribution clause be construed in such a manner as to throw loss upon the assured, against which he would have been fully protected had his policy been free from that clause."

I give these quotations from Griswold and the court decisions, to show that our present rules are not equitable, or practicable, and that a general rule of proportion should be adopted that will leave no policy liable to arbitrary assessment, or no case to be decided in favor of individual interests, a rule of proportion that will carry out the court decisions in dealing with the assured, and be just to co-insurers.

These decisions set aside the old rules, and as we are not as independent as the old Chief Justice, who said, "That if his rulings were in accordance with the laws, so much better for the law, but if they were not in accordance with the law, then the law should be changed," we must make our rules to accord with the law.

An objection to a general rule may be raised by a class, a very small class of underwriters, very scarce on this coast, heard of once in a great while, whose ideas of underwriting are said to be governed by the principle of so conducting insurance that they may get the premiums, and the losses, if any, shall fall on the assured, or the other company; who look to the adjuster instead of the agent for profit, who are liberal in allowing the assured to fix rates of premium, but extremely careful on losses; whose ideas of indemnity are said to be to so write a policy that if the assured should get any pay it would arise from a mistake in the wording or want of ability on the part of the adjuster; who employ adjusters who can make the boast of never having paid a total loss—men who can do more mischief on a loss in one day, than the balance of the fraternity can repair in a month—adjusters who always "make a salvage."

How an adjuster "*makes a salvage*" is hard to understand; if the insurance be greater than the loss, the excess is not *made* by the adjuster; the adjuster only ascertains the interest of the insured in, and the exact amount of the loss on the property covered by the policy while contained where insured, and whether honest or not. He does not make the loss any more or less than it really is, nor does he make the policy larger or smaller—in fact he does not make anything; he only carries out the contract under the policy; neither does he save anything for the company, all saved belongs to the assured.

It is a question whether the word "salvage," though much used, has a place in fire insurance or not, so far as the companies are concerned.

In marine insurance, where the doctrine of "total loss" is recognized,

because property is insured for full value either by issuing policies for full value or making the assured a co-insurer, all that is saved is for the benefit of the underwriters, thus giving the insurer an interest in the salvage; but in fire insurance if valued policies be not issued, losses must be adjusted, not to ascertain how much the company will save, but to find the actual loss and damage to the property insured. The company under its contract being interested in the loss and damage only, for this reason I infer that the word "salvage," or the phrase "making a salvage," does not belong to fire insurance, and should not be used.

Using the word "salvage" in connection with the company's interests, gives an impression to the agents and assured that all that is saved is for the benefit of the company, and often causes the assured to lock doors and not allow property to be saved, not wishing to make "salvage" for the insurance companies.

Col. Kinne has given us time, labor, and new ideas in his rule, and if he did not get it just right it is not because of want of hard work and study on his part, but as I believe and will show you, because of starting from a wrong basis, the Finn rule.

In his article in the JUNE COAST REVIEW, he quotes Mr. Fox as follows :

"The proportionate or pro rata rule will not always apply, depending on the amount of insurance to contribute, but when the pro rata contribution falls short of paying the total loss, then the rule changes, so as to make the companies interested pay the full loss first, the balance being carried along to other subjects until exhausted."

Col. Kinne says "that the rule changes rather threw me off my balance for a time, for I had looked upon rules as an embodiment of principles, and principles never change. I had supposed from my interpretation of the Fox rule that it provided for any contingencies, but it seems it does not, and therefore I offer a rule, or series of steps, which I think will be found to be based on the principle of loss to loss throughout, and therefore I claim it as being more proper and equitable than any now in use."

In JULY COAST REVIEW, Col. Kinne says "that Mr. Griswold states the whole thing in a nutshell in his remarks preceding his rule on page 103 hand book, and that it is only a question of how to properly apply a proportional rule to cause it to become entirely general."

He says: "My method of reapportioning, in case it be found necessary, gives results in harmony with the fundamental principles of a compound policy, which is liability to its full amount upon each item under its protection, when necessary."

Col. Kinne further says, "and applying same rule to simple non-concurrent as to compound policies is a radical but thoroughly honest position for us to take."

He states as a principle, "that general and specific insurance must be regarded as co-insurance," and "that general insurance *must* float over and contribute to loss, on all subjects under its protection in the *exact* proportion of the respective losses thereon." The italics are mine.

I make these quotations from Col. Kinne that you may see that his rule of practice won't carry out the principles quoted.

To illustrate the working of his rule, he gave examples which I here reproduce and work them out by the Kinne, co-insurance, and Sexton rules.

#### EXAMPLE 1.

Company A insures Pork.....	\$5,000
Company B insures Pork and Flour.....	5,000
Company C insures Pork and Grain.....	5,000
Company D insures Pork, Flour and Grain.....	5,000
Loss Pork, \$10,000; Flour, \$3,000; Grain, \$5,000.	

#### KINNE RULE—APPORTIONMENT.

	Pork. Loss \$10,000.	Flour. Loss \$3,000.	Grain. Loss \$5,000.
Company A.....	\$5,000 00	.....	.....
Company B.....	3,846 15	\$1,153 85	.....
Company C.....	3,333 33	.....	\$1,666 67
Company D.....	2,777 78	833 33	1,388 89
	\$14,957 26	\$1,987 18	\$3,055 56
Deficiency.....	.....	1,012 82	1,944 44

#### PROPORTIONS TO SUPPLY DEFICIENCIES.

C + D.	C.				
\$6,111 11	\$3,333 33	:	:	\$1,944 44	\$1,060 60
C + D.	D.				
\$6,111 11	\$2,777 78	:	:	\$1,944 44	883 84
					<u>\$1,944 44</u>
B + D.	B.				
\$6,623 95	\$3,846 15	:	:	\$1,012 82	\$588 09
B + D.	D.				
\$6,623 95	\$2,777 78	:	:	\$1,012 82	424 73
					<u>\$1,012 82</u>

KINNE RULE—REAPPORTIONMENT AND FINAL CONTRIBUTION.

	Pork. Loss \$10,000	Flour. Loss \$3,000.	Grain. Loss \$5,000.	Total Paid.
Co. A insures.....	\$5,000 00	.....	.....	
Pays.....	4,166 67	.....	.....	\$4,166 67=83 $\frac{1}{3}$ %
Co. B insures.....	3,528 06	\$1,741 94	.....	
Pays.....	2,715 05	1,741 94	.....	4,456 99=89 $\frac{2}{7}$ %
Co. C insures.....	2,272 73	.....	\$2,727 27	
Pays.....	1,893 94	.....	2,727 27	4,621 21=92 $\frac{8}{14}$ %
Co. D insures.....	1,469 21	1,258 06	2,272 73	
Pays.....	1,224 34	1,258 06	2,272 73	4,755 13=95 $\frac{2}{7}$ %
				\$18,000 00

EXAMPLE 1 A—SOLUTION BY CO-INSURANCE.

	Pork. Loss \$10,000	Flour. Loss \$3,000.	Grain. Loss \$5,000.	Total, \$18,000.
Co. A insures \$5,000	\$5,000 00	.....	.....	
Pays....	4,166 0 $\frac{2}{3}$	.....	.....	\$4,166 0 $\frac{2}{3}$ =83 $\frac{1}{3}$ %
Co. B insures 5,000	3,000 00	\$2,000 00	.....	
Pays....	2,500 00	2,000 00	.....	4,500 00=90 %
Co. C insures 5,000	2,500 00	.....	\$2,500 00	
Pays....	2,083 0 $\frac{1}{3}$	.....	2,500 00	4,583 0 $\frac{1}{3}$ =91 $\frac{2}{3}$ %
Co D insures 5,000	1,500 00	1,000 00	2,500 00	
Pays....	1,250 00	1,000 00	2,500 00	4,750 00=95 %

Apportioned by the Sexton rule, they are shown to be co-insurers, and all pay alike, viz., 90 per cent.

EXAMPLE 2.

Company A insures Pork.....	\$5,000
Company B insures Flour and Pork.....	5,000
Company C insures Pork and Grain.....	5,000
Company D insures Pork, Flour and Grain.....	5,000

Losses Pork, \$4,000; Flour, \$7,000; Grain, \$7,000.

## APPORTIONED BY KINNE RULE LOSS TO LOSS.

	Pork. Loss \$4,000.	Flour. Loss \$7,000.	Grain. Loss \$7,000.
Company A.....	\$5,000	.....	.....
Company B.....	1,818	\$3,182	.....
Company C.....	1,818	.....	\$3,182
Company D.....	1,112	1,944	1,944
	\$9,748	\$5,126	\$5,126
Deficiencies.....	.....	1,874	1,874

## PROPORTIONS TO SUPPLY DEFICIENCIES.

C + D.	C.				
\$2,930	\$1,818	:	:	\$1,874	\$1,163
C + D.	D.				
\$2,930	\$1,112	:	:	\$1,874	711
					<u>\$1,874</u>
B + D.	B.				
\$2,930	\$1,818	:	:	\$1,874	\$1,163
B + D.	D.				
\$2,930	\$1,112	:	:	\$1,874	711
					<u>\$1,874</u>

## REAPPORTIONMENT AND FINAL CONTRIBUTION.

	Pork. Loss \$4,000.	Flour. Loss \$7,000.	Grain. Loss \$7,000.	Total, \$18,000
Co. A insures.....	\$5,000	.....	.....	
Pays.....	.....	.....	.....	
Co. B insures.....	655	\$4,345	.....	
Pays.....	.....	4,345	.....	
Co. C insures.....	655	.....	\$4,345	
Pays.....	.....	.....	4,345	
Co. D insures.....	.....	2,655	2,655	
Pays.....	.....	2,500	2,500	
Short .....	.....	\$155	\$155	

Kinne's rule of reapportionment fails, and he must fall back on the old Co-insurance rule.

Example 2, by co-insurance rule, will apportion as follows, 2 A:

	Pork. Loss \$4,000.	Flour. Loss \$7,000.	Grain. Loss \$7,000.	Total.
Co. A insures.....	\$5,000	.....	.....	
Pays.....	3,333 $\frac{1}{3}$	.....	.....	\$3,333 $\frac{1}{3}$ =66 $\frac{2}{3}$ %
Co. B insures.....	.....	\$5,000	.....	
Pays.....	.....	5,000	.....	5,000 =100 %
Co. C insures.....	1,000	.....	\$4,000	
Pays.....	666 $\frac{2}{3}$	.....	4,000	4,666 $\frac{2}{3}$ =93 %
Co. D insures.....	.....	2,000	3,000	
Pays.....	.....	2,000	3,000	5,000 =100 %

#### EXAMPLE 2—APPORTIONED BY THE SEXTON RULE, 2 B.

As Total Loss.	Total Ins.	Loss on	Ins. on
\$18,000 :	\$20,000 : :	Pork \$4,000 :	Pork \$4,444 $\frac{4}{9}$
18,000 :	20,000 : :	Flour 7,000 :	Flour 7,777 $\frac{7}{9}$
18,000 :	20,000 : :	Grain 7,000 :	Grain 7,777 $\frac{7}{9}$
		\$18,000	\$20,000

	Pork. Loss \$4,000.	Flour. Loss \$7,000.	Grain. Loss \$7,000.
Company A insures \$5,000 on *.....	\$5,000	.....	.....
Company B insures 5,000 on *.....	*	*	.....
Company C insures 5,000 on *.....	*	.....	*
Company D insures 5,000 on *.....	*	*	*

A becomes specific on pork, and B, C and D co-insurers on flour and grain, Rule Sec. 6.

#### REAPPORTIONMENT AND FINAL CONTRIBUTION.

	Pork.	Flour.	Grain.	Total.	
Losses.....	\$4,000	\$7,000	\$7,000	\$18,000	
Apportioned .	\$5,000	\$7,500	\$7,500	\$20,000	
A Insures..\$5,000	\$5,000	.....	.....		
Pays.....	4,000	.....	.....	\$4,000 =	80 per cent.
B Insures..\$5,000	.....	\$5,000	.....		
Pays.....	.....	4,666 $\frac{2}{3}$	.....	4,666 $\frac{2}{3}$ =	93 $\frac{1}{3}$ "
C Insures..\$5,000	.....	.....	\$5,000		
Pays.....	.....	.....	4,666 $\frac{2}{3}$	4,666 $\frac{2}{3}$ =	93 $\frac{1}{3}$ "
D Insures..\$5,000	.....	2,500	2,500		
Pays.....	.....	2,333 $\frac{1}{3}$	2,333 $\frac{1}{3}$	4,666 $\frac{2}{3}$ =	93 $\frac{1}{3}$ "

In July COAST REVIEW Col. Kinne makes his rule general, and applies it to example given as follows, which I will call Example 3:

Company A insures Dwelling..... \$1,000  
 Company B insures Dwelling and Warehouse..... 1,000  
 Loss, Dwelling, \$300; Warehouse, \$200.

#### APPORTIONMENT BY KINNE RULE.

	Dwelling. Loss \$300.	Warehouse. Loss \$200.	Totals.
Company A insures.....	\$1,000 00	.....	
Pays.....	187 50	.....	\$187 50 = 18¾ %
Company B insures .....	600 00	\$400	
Pays.....	112 50	200	312 50 = 31¼ %

#### EXAMPLE 3—APPORTIONED BY CO-INSURANCE RULE, 3 A.

	Dwelling. Loss \$300.	Warehouse. Loss \$200.	Totals.
Company A insures.....	\$1,000	.....	
Pays.....	166⅔	.....	\$166⅔ = 16⅔ %
Company B insures.....	800	\$1,000	
Pays.....	133⅓	200	333⅓ = 33⅓ %

#### EXAMPLE 3 BY THE SEXTON RULE.

	Dwelling.	Warehouse.	Totals.
Losses.....	\$300	\$200	\$500
Insurance apportioned..	\$1,200	\$800	\$2,000
Company A insures.....	\$1,000	.....	
Pays.....	250	.....	\$250 = 25 pr. cent.
Company B insures.....	200	\$800	
Pays.....	50	200	250 = 25 “

A and B become co-insurers and pay pro rata.

Example 4 same as No. 3, with increased amount of loss.

Loss on Dwelling \$600; on Warehouse \$900.

APPORTIONED BY KINNE RULE.

	Dwelling. Loss \$600.	Warehouse. Loss \$900.
Company A insures.....	\$1,000	.....
Pays.....	.....	.....
Company B insures.....	400	\$600
Pays.....	.....	.....
Short.....	.....	\$300

The apportionment fails and we assess B to make up loss on warehouse.

RE-APPORTIONMENT.

	Dwelling. Loss \$600.	Warehouse. Loss \$900.	Totals.
Company A insures.....	\$1,000	.....	
Pays. . . .	546 <sup>5</sup> <sub>11</sub>	.....	\$546 <sup>5</sup> <sub>11</sub> = 54 <sup>6</sup> <sub>10</sub> %
Company B insures.....	100	\$900	
Pays.....	53 <sup>6</sup> <sub>11</sub>	900	953 <sup>6</sup> <sub>11</sub> = 95 <sup>4</sup> <sub>10</sub> %

EXAMPLE 4 BY SEXTON RULE: 4 B.

	Dwelling.	Warehouse.
Losses.....	\$600	\$900
Insurance apportioned . . . . .	800	1,200
Company A insures.....	\$1,000	.....
Company B insures.....	.....	\$1,000

The rule shows that they are not co-insurers, and A specific on dwelling must pay the loss \$600, paying 60 %, and B's general, pay the loss on warehouse, \$900, paying 90 %; see rule.

EXAMPLE 5.

Company A insurers Dwelling.....	\$1,000
Company B insures Dwelling and Warehouse.....	1,000
Company C insures Warehouse.....	1,000
Loss, Dwelling, \$300; Warehouse, \$200.	

## APPORTIONMENT BY THE KINNE RULE.

	Dwelling. Loss \$300.	Warehouse. Loss \$200.	Totals Paid.
Company A insures .....	\$1,000 00	.....	
Pays.....	187 50	.....	\$187 50 = 18¾ %
Company B insures.....	600 00	\$400	
Pays.....	112 50	57½	169 65 = 17 %
Company C insures.....	.....	1,000	
Pays.....	.....	142½	142 85 = 14¼ %

## APPORTIONMENT BY CO-INSURANCE RULE 5 A, PAYING ON WAREHOUSE FIRST.

	Dwelling. Loss \$300.	Warehouse. Loss \$200.	Totals.
Company A insures.....	\$1,000	.....	
Pays.....	158	.....	\$158 = 16 %
Company B insures.....	900	\$1,000	
Pays.....	142	100	242 = 24 %
Company C insures.....	.....	1,000	
Pays.....	.....	100	100 = 10 %

## APPORTIONMENT BY CO-INSURANCE RULE, PAYING FIRST ON DWELLING.

	Dwelling. Loss \$300.	Warehouse. Loss \$200.	Total Paid.
Company A insures.....	\$1,000	.....	
Pays.....	150	.....	\$150 = 15 %
Company B insures.....	1,000	\$850	
Pays.....	150	92	242 = 24 %
Company C insures.....	.....	1,000	
Pays.....	.....	108	108 = 11 %

APPORTIONMENT BY THE SEXTON RULE 5 c.

	Dwelling.	Warehouse.	Total Paid.
Losses.....	\$300	\$200	
Insurance apportioned ..	1,800	1,200	
Company A insures.....	\$1,000		
Pays .....	166⅔		\$166⅔ = 16⅔ %
Company B insures.....	800	\$200	
Pays.....	133⅓	33⅓	166⅔ = 16⅔ %
Company C insures.....		1,000	
Pays.....		166⅔	166⅔ = 16⅔ %

EXAMPLE 6.

Company A insures Dwelling.....	\$1,000
Company B insures Dwelling and Warehouse.....	1,000
Company C insures Warehouse.....	1,000
Loss, Dwelling, \$1,900; Warehouse, \$900.	

APPORTIONMENT BY KINNE RULE.

	Dwelling. Loss \$1,900.	Warehouse. Loss \$900
Company A insures.....	\$1,000	
Pays.....		
Company B insures.....	680	\$320
Pays.....		
Company C insures.....		1,000
Pays.....		
Short.....	\$1,680 220	\$1,320

RE-APPORTIONMENT.

	Dwelling. Loss \$1,900.	Warehouse. Loss \$900.	Total Paid.
Company A insures.....	\$1,000		
Pays.....	1,000		\$1,000 = 100 %
Company B insures.....	900	\$100	
Pays.....	900	81⅓	981⅓ = 98 %
Company C insures.....		1,000	
Pays.....		818⅓	818⅓ = 82 %

## APPORTIONMENT BY CO-INSURANCE RULE, PAYING ON DWELLING FIRST, 6A.

	Dwelling. Loss \$1,900.	Warehouse. Loss \$900.	Total Paid.
Company A insures.....	\$1,000	.....	
Pays.....	950	.....	\$950 = 95 %
Company B insures.....	1 000	\$50	
Pays.....	950	40	990 = 99 %
Company C insures.....	.....	1,0 0	
Pays.....	.....	860	860 = 86 %

## APPORTIONMENT BY CO-INSURANCE RULE, PAYING ON WAREHOUSE FIRST, 6B.

	Dwelling. Loss \$1,900.	Warehouse. Loss \$900.	Total Paid.
Company A insures.....	\$1,000	.....	
Pays.....	1,000	.....	\$1,000 = 100 %
Company B insures.....	900	\$100	
Pays.....	900	100	1,000 = 100 %
Company C insures.....	.....	1,000	
Pays.....	.....	800	800 = 80 %

## APPORTIONMENT BY SEXTON RULE 6C.

	Dwelling.	Warehouse.
Losses.....	\$1,900	\$900
Insurance apportioned.....	2,036	964
Company A insures Specific.....	\$1,000	.....
Company B insures General.....	1,000	.....
Company C insures Specific.....	.....	\$1,000

Apportionment shows that they are not co-insurers.

## RE-APPORTIONMENT.

	Dwelling. Loss \$1,900.	Warehouse. Loss \$900.	Totals.
Company A insures.....	\$1,000	.....	
Pays.....	950	.....	\$950 = 95 %
Company B insures.....	1,000	.....	
Pays.....	950	.....	950 = 95 %
Company C insures.....	.....	\$1,000	
Pays.....	.....	900	900 = 90 %

I use Col. Kinne's examples, and others that we are likely to have every day, all simple ones.

The examples given by him in July COAST REVIEW, except the first one, are worked out by the Finn rule, and are not reapportioned.

He says that he "had looked upon rules as an embodiment of principles, and principles never change." When he framed this sentence he had in mind other than insurance principles, for the principal principle that seems to have fastened itself on fire insurance, is to have rules that will change, and only decisions of courts have forced us to give a fair business-like construction to the insurance contract, and even now it is not uncommon for some of our keen adjusters to work in the Reading, Finn, or other rule to the cost of the claimant, giving as an excuse, not that the fire was a sell-out, or the claimant dishonest, but "had to make a salvage," and the assured stood it.

Col. Kinne, instead of making a new rule, took the loss to loss on the general insurance Finn rule, which is one of the rules referred to by Mr. Griswold as "illustrating individual opinions, if not to serve individual interests," as under it Mr. Finn enforced an interpretation of the insurance contract that no sane man would have agreed to when bargaining for his insurance; and he amends it with a rule of proportion that won't work, and here I may say that this Finn rule looks so fair on its face, and will work so well when the loss is about equal to the general insurance, that we need not be surprised that he, like many other underwriters, should be misled by it.

The Kinne rule amends the Finn rule by proposing to reapportion the surplus of the general insurance to supply deficiencies, instead of re-assessing or borrowing as under the older rules, and when I heard the author's earnest argument in its favor, believed that it would work, but upon testing it, find that it will not. See examples 2, 4 and 6.

The examples are worked by the Kinne, co-insurance, and Sexton rules, to show the working of each rule.

Example 1 is copied from COAST REVIEW as worked by the Kinne rule as follows :

By apportioning the general insurance on the loss to loss rule he has \$14,957.26 on pork, \$1,987.18 on flour, and \$3,055.56 on grain, leaving a

deficiency of \$1,012.82 on flour and \$1,941.84 on grain, which he supplies by apportioning B, C, and D's apportionments of general insurance to pork, from pork, thus as C 3333.33 + D 2777.68 is to C 3333.33 so is the deficiency on grain 1944.44 to the sum to be taken from C on pork, being 1060.60 to supply C's proportion of the deficiency on grain.

As C 3333.33 + D 2777.78 is to D 2777.78, so is the deficiency on grain 1944.44, to the sum to be taken from D on pork, being 883.34 to supply D's proportion of the deficiency on grain. These sums, C 1060.60 + D 883.34 = 1944.44, and supply the deficiency on grain.

And to supply the deficiency on flour :

As B 3846.15 + D 2777.78 is to B 3846.15, so is the deficiency on flour 1012.82, to the sum to be taken from B on pork, being 588.09, to supply B's proportion of the deficiency on flour, and as B 3846.15 + D 2777.78 is to D 2777.78, so is the deficiency on flour 1012.82 to the sum to be taken from D on pork, being 424.73, to supply D's proportion of the deficiency on flour. These sums, B 588.09 + D 424.73 = 1012.82 and supply the deficiency on flour.

This gives the apportionment for final contribution. I give only the outline figuring.

Example 1a gives the contribution by the co-insurance rule, the general insurance paying on the non-concurrent items first, and paying with remainders pro rata on the other items; not that I believe in the co-insurance rule, as it fails to carry out its professions, but to show that it gives about the same results as the Kinne rule, is much more simple, and has decisions in its favor.

It contributes thus : C and D general pay on grain 2500 each, leaving C 2500 on pork, and D 2500 to pro rate with B 5000 on flour, D paying  $\frac{1}{3} = 1000$ , and B paying  $\frac{2}{3} = 2000$ , leaving D 1500, and B 3000, to pro rate with A 5000, and C 2500, being a total of 12,000, to pay 10,000 on flour, each 10-12, viz : A  $4166\frac{2}{3}$ , B 2500, C  $2083\frac{1}{3}$ , and D 1250. This apportionment and contribution can be figured out in five minutes by any member who can figure the apportionment and contribution by the Kinne rule in thirty minutes.

The final result of the two rules is as follows :

#### KINNE RULE.

A pays .....	\$4,166. $\frac{2}{3}$ = 83 $\frac{1}{3}$ per cent.
B " .....	4,456.91 = 89 $\frac{1}{2}$ "
C " .....	4,621.21 = 92 $\frac{8}{21}$ "
D " .....	4,755.13 = 95 $\frac{3}{21}$ "

#### CO-INSURANCE RULE.

A pays.....	\$,166. $\frac{2}{3}$ = 83 $\frac{1}{3}$ per cent.
B " .....	4,500.00 = 90 "
C " .....	4,583. $\frac{1}{3}$ = 91 $\frac{2}{3}$ "
D " .....	4,750.00 = 95 "

The difference in results between the Kinne and the Co-insurance rules is not great enough to prove anything in favor of either; certainly does not show much in favor of the Kinne rule—not enough to pay for the labor—the specific insurance A paying same under both.

In making reapportionments under the Kinne rule to supply deficiencies in above example, D's \$2,777.78 pork contributes with C on grain in proportion to its full sum, and also in proportion of its full sum with B on flour: this plan of contribution, will in some cases make it contribute more in the aggregate than it represents, as example 2 shows, consequently it is not a rule of proportion.

In example 2 the insurances are same as example 1, but the losses are, pork \$4,000, flour \$7,000, and grain \$7,000; and by the Kinne rule, B \$5,000 on pork and flour apportions \$1818 to pork, and \$3182 to flour; C \$5000 on pork and grain apportions \$1818 to pork and \$3182 to grain; and D \$5000 on pork, flour and grain, apportions \$1112 to pork, \$1944 to flour and \$1944 to grain, (I leave out fractions) which gives deficiencies on flour \$1874, and grain \$1874, with B \$1818, C \$1818, and D \$1112, on pork, to supply such deficiencies.

To supply the deficiency on grain, we have as C \$1818+D \$1112 is to D \$1112 so is deficiency on grain \$1874 to sum to be apportioned from D on pork, being \$711 to supply D's proportion of said deficiency.

As C \$1818+D \$1112 is to C \$1818, so is deficiency on grain, \$1874 to sum to be apportioned from C on pork, being \$1163, to supply C's proportion of such deficiency.

These two sums, D \$711+C \$1163=\$1874, the full deficiency on grain.

To supply the deficiency on flour, we have, as B \$1818+D \$1112 is to B \$1818, so is deficiency on flour, \$1874, to sum to be apportioned from B on pork, being \$1163, to supply B's proportion of said deficiency, and as B \$1818+D \$1112 is to D \$1112, so is deficiency on flour, \$1874, to sum to be apportioned from D on pork, being \$711, to supply D's proportion of such deficiency. These two sums D \$711+B \$1163 supply the deficiency on flour.

This, according to the Kinne rule (see reapportionment of example 2), gives A \$5000 specific on pork, B \$655 on pork and \$4345 on flour, C \$655 on pork and 4345 on grain, and D \$2655 on flour, and \$2655 on grain, or \$310 more than the face of D's policy. This is proof that as a rule of proportion it won't work.

Example 2 apportioned by the Co-insurance rule 2a, seems simple enough, and gives the assured full indemnity, but why B & D should pay total, and C pay 93⅓% can only be explained by supposing that C's adjuster made the apportionment. If B or D had the apportionment to make, C's policy might be exhausted on grain, and the surplus of D's carried with B on flour, on which they would pay pro rata, and their remainders float to pork and contribute with A, both paying less than total. Neither way is right or just. They, B, C and D, are co insurers, according to the Kinne principle, or any other proper principle, on flour and grain, and should pay pro rata.

This example shows that the Kinne rule won't work, and that the co-insur-

ance rule is unfair; only gives an advantage to the first adjuster on the ground—will do for cinchers.

Example 2, apportioned by the Sexton rule 2b: A's \$5,000 specific on pork being greater than the sum apportioned to that item (see 6 step of rule) it pays loss on pork, and B, C and D on the group of flour and grain become co-insurers, and pay pro rata. A pays 80%, B, 93 $\frac{1}{3}$ %, C, 93 $\frac{1}{3}$ %, and D, 93 $\frac{1}{3}$ %, and carry out that principle: "That general and specific insurances must be regarded as co-insurances."

Col. Kinne, in his able paper in July COAST REVIEW, makes a step in advance and applies same rule to simple non-concurrent as to compound polices (see example 3) and makes a strong argument in its favor.

The rule introduced by me embraced this principle, which should need no argument in its favor, as there can be no good reason for having different rules for different classes of insurance; rules should be general.

Example 3, under the Kinne rule, as amended, B's policy apportions \$600 to dwelling, and \$400 to warehouse. A pays \$187.50 on dwelling, B pays \$112.50 on dwelling, and \$200 on warehouse; A pays 18 $\frac{3}{4}$ %, and B pays 31 $\frac{1}{4}$ —this is not co-insurance.

Example 3 apportioned by co-insurance rule 3a B pays 200 on warehouse, and pro rata with A, with 800 to pay loss on dwelling. A paying 166 $\frac{2}{3}$  and B 133 $\frac{1}{3}$  on dwelling, making total payments, viz :

A 16 $\frac{2}{3}$ %, B 33 $\frac{1}{3}$ %, showing that the Kinne rule is but a slight improvement on the co-insurance rule.

Kinne rule	A	pays	18 $\frac{3}{4}$ %	co-insurance rule	16 $\frac{2}{3}$ %
"	"	B	31 $\frac{1}{4}$ %	"	33 $\frac{1}{3}$ %

Example 3 apportioned by the Sexton rule 3b (see rule), A and B being co-insurers pay alike 25% each.

Example 4 insurance same as 3, with loss on dwelling 600, warehouse 900, apportioned by the Kinne rule, B's policy is apportioned 400 to dwelling, and 600 to warehouse, and as the loss on warehouse is 900, we are 300 short, the rule changes and this 300 is taken from B's 400 on dwelling, as by the co-insurance rule (see examples 4 and 4a), showing that the Kinne rule changes and becomes the co-insurance rule.

Example 4 apportioned by the Sexton rule 4b, gives 800 to dwelling and 1200 to warehouse, but as the specific insurance on dwelling is 1000 (see rule sec. 6), that 1000 must apply on dwelling, and B's general policy of 1000 apply on warehouse, A paying 60%, and B 90%.

#### EXAMPLE 5.

Co A insures dwelling.....	1000
Co B insures dwelling and warehouse.....	1000
Co C insures warehouse.....	1000
Loss dwelling 300, warehouse 200.	

The apportionment by the Kinne rule gives dwelling 600 and warehouse 400 of B's policy, paying losses as follows: A specific 18 $\frac{3}{4}$ %, B general 17% and C specific 14 $\frac{1}{4}$ %. You will observe that B's general policy pays less than A's specific.

This example apportioned by the co-insurance rule 5a, paying first on warehouse, Co. A specific pays 16%, B general 24%, and C specific 10%, but if the loss on dwelling be paid first, as in 5b, A's specific pays 15% B's general 24%, and C's specific 11%. The co-insurance rule makes B's general pay, most.

Under the co-insurance rule the simple example 5, as apportioned 5a, and 5b, gives two results, if C's adjuster made the apportionment C would pay 10%, and A 16%, but if made by A's adjuster, A would pay 15%, and C 11%. If both were on the ground there would probably be a fight.

This may look to be a small matter, \$80 or \$100 on each 1000, but it shows the want of harmony in that rule.

Under the Sexton rule, they being co-insurers would pay alike, each 16 $\frac{2}{3}$ %, example 5c.

#### EXAMPLE 6.

Co A insures dwelling.....	1000
Co B insures dwelling and warehouse.....	1000
Co C insures warehouse.....	1000

Losses dwelling 1900, warehouse 900.

Example 6 by the Kinne rule, apportions B's policy 630 to dwelling, and 320 to warehouse, giving 1680 to pay loss of 1900 on dwelling, and 1320 to pay loss of 900 on warehouse. His rule of proportion fails and we take 220 from B on warehouse, to pay loss on dwelling, A specific on dwelling paying total, B general on dwelling and warehouse paying 98%, and C specific on warehouse 82%, showing that "general and specific insurances are not co-insurances."

Example 6 by co-insurance rules paying on dwelling first "6a" makes A pay 95%, B 99%, and C 86%.

And by co-insurance rule, paying on warehouse first, "6b," A pays total, B total, and C 80%. This is not fair, and may be overdrawn, but is given here to show what may be done by a changeable rule, and to show the need of a rule that won't change, and that cannot be changed.

Example 6 apportioned by the Sexton rule "6c" makes C specific on warehouse, and pay 90%, and A and B specific, and general co-insurers on dwelling, and pay 95% each. Other examples can be given, but enough is here shown to give an idea of the working of the rules referred to.

The examples in Col. Kinne's article in July number of COAST REVIEW, except the No. 3 given here, are simple, and the loss ratio is such that they are worked by the Finn rule.

If the object of the rule working is to punish companies that write general, and benefit those that write specific policies, the co-insurance rule is the best.

The "loss to loss" rule as given by Finn, Fox, and Kinne will in many cases give a specific policy a total, and its co-insuring policy a partial loss. See examples 5 and 6.

No example can be shown where, under the Sexton rule, a specific will pay a larger percentage of loss than its co-insuring general policy pays, but occasions are numerous where a general policy will pay a larger percentage of loss, than its co-insuring specific, or will pay total, where its co-insuring specific pays partial.

It discourages blanket policy writing by not permitting the general policy under any circumstances to pay a smaller percentage of loss than its co-insuring specific; neither does it, like the other rules, particularly favor negligent policy writing.

The Finn rule apportioning general insurance loss to loss was made by Mr. Finn to serve the interests of his company in that particular loss on his interpretation of the insurance contract, which interpretation has been brushed aside by the courts, or as Col. Kinne neatly phrases it, "the policy protects the assured and the courts will so decide," and that rule is not law.

As a stream cannot rise above its source, the Kinne rule, having the Finn rule for its basis, is open to same objection as the latter.

The Kinne rule also changes from loss to loss when the loss is small in proportion to insurance, to the co-insurance or any assessment rule, when the loss is nearly equal to the total insurance.

It is therefore condemned by Col. Kinne's words, viz :

"It is not a general rule—a harmonious rule."—*Kinne*.

"The proposition of loss to loss cannot change if it be the right principle in the first place."—*Kinne*.

"Equity means the honest distribution of rewards and punishments, and as honesty is the best policy, so is equity the best principle."—*Kinne*.

"I offer a rule or series of steps which I think will be found to be based on the principle of 'loss to loss' throughout."—*Kinne*.

"A principle cannot change, and any method of procedure necessitating a change from one rule to another, contemplates a wrong somewhere."—*Kinne*.

"That general and specific insurances must be regarded as co-insurances."—*Kinne*.

"General insurance *must* float over and contribute to loss on all subjects under its protection in the *exact* proportion of the respective losses thereon."—*Kinne*.

"Must" and "exact" in the above, make it a mathematical impossibility, showing that such a rule is a failure. Try it and see.

I agree with Col. Kinne that a rule that changes ceases to be a rule. A rule must be general, equitable, harmonious and practicable, and so plain that the first adjuster on the ground can have no advantages.

In framing a rule of apportionment there are three factors that must be considered.

First : The loss on each item, and group, or group of items.

Second : The specific insurance on each item, or general, or each group of items.

Third : The insurance to be apportioned to items or groups of items.

The Kinne rule of apportionment only deals with the first and third.

The Sexton rule of apportionment includes all three.

It is impossible to make a rule of apportionment unless we agree that co-insurers be considered partners so far as possible, under the wording of the policies.

In old times, in the mines, we worked as partners, and usually settled on Sunday. A may have paid \$30 for groceries, B \$5 for blacksmith, C \$7 for beef, and D \$120 for water. We didn't apportion D's \$120 according to the Finn or Fox rules. We added A, B, C and D's payments together, and apportioned one quarter of the total, being \$40.50 to each, showing balances due D from C \$33.50, B \$35.50, and A \$10.50, that was every day arithmetic, and not insurance.

The familiar problem given of the Eastern Prince who willed his elephants to his three sons, the oldest one-half, the second one-third, and the youngest one-ninth, was not apportioned according to the Fox or Finn rules.

When time came for settling, the executor found in possession of oldest 54, second 4, and youngest 10. They apportioned the total 68 in the proportion that one half, one-third and one-ninth bore to each other, giving oldest 36, the second 24 and youngest 8, taking 18 from the oldest's 54, and 2 from the youngest's 10, to make up with the four on hand, the 24, awarded to the second.

Any ten year old country school boy can figure out an apportionment on this basis, and the rule won't change.

And why a rule of this kind has not been applied to apportioning non-concurrent insurances can only be accounted for on the ground that we do not try to apply commercial principles to fire insurance, and while two and two make four in other pursuits, we try to make two and two make five, seven or nine, as per old rules in ours.

Mr. Griswold says: "it is only a question of how to properly apply a proportional rule to cause it to become entirely general."

Apportioning all of the sums covering on all items, answers Mr. Griswold's question, and gives and applies a rule of proportion that carries out the principle of loss to loss to its full and legitimate extent, follows the rulings of the courts by giving to the assured all the indemnity possible under all and any of his policies, and gives to each company interested a pro rata share of the loss, so far as they are co-insurers, thus carrying out fully that well settled principle that "general and specific insurances must be regarded as co-insurances."

The principle of loss to loss is correct, but it must be total amount of loss to loss on each item or group, and total insurance to insurance on each item or group.

Any rule that does not include all the factors in the problem, cannot be a rule of proportion, and cannot be mathematically correct.

Mathematics being an exact science, it can be set down as an axiom : That no rule of proportion can be made that will correctly apportion a given sum or given sums, to each one of a group of items, to supply to each item an indefinite sum caused by such item containing another sum, or sums, without taking such other sum, or sums, into the apportionment.

In the paper read at last annual meeting, introducing my rule, I said "this rule is submitted for your consideration ; its general principles conform to the rulings of the courts, and it may with such amendments as your practical experience will suggest be made to answer our purpose."

In the discussions on this, and the Kinne rule, I find nothing to change my opinion as to the application and equity of this rule.

From Col. Kinne's papers I take valuable details, to carry out the principle of this rule, making it so clear that he who runs may read.

#### RULE

1st. Ascertain the non-concurrence of the various policies, and classify the various items covered into as many groups, as the non-concurrence demands.

2d. Ascertain the specific and general insurance, and losses on each item, and group of items.

3d. When the loss is on one item only, then all insurance general and specific, covering on such item, becomes co-insurance, and pays, if the loss be partial, pro rata ; if total, total.

4th. When the loss on an item, or group of items, is equal to, or greater, than the total general and specific insurance on such item, or group, then such general and specific insurance shall be exhausted on such item or group.

5th. When the loss on any group or on groups of items is less than the total general and specific insurance thereon, then such general and specific insurance shall be apportioned in the proportion that the total loss on the group or groups of items bears to the loss on each item.

6th. When the specific insurance on an item exceeds the sum apportioned to such item, such specific insurance only shall be applied on that item, and a new apportionment made excluding such item and the specific insurance thereon.

7th. When the general and specific insurance on any group of items exceeds the sum apportioned to such group, then such general and specific insurance becomes co-insurance on such items, paying pro rata, and a new apportionment must be made excluding such group, and the insurance thereon.

8th. When the general and specific insurance on a group of items is less

than the aggregate sums apportioned to such group, then such general and specific insurance only shall be applied to such group, as co-insurance paying pro rata, or total, and a new apportionment made excluding such group, and the insurance thereon.

9th. When the apportionment to any item, or group of items, does not exceed the insurances that apply on such item or group, or when the specific insurance on any item, or specific and general insurance on any group of items, is not greater than the sum or sums apportioned to such item or group, then such insurances become co-insurances, and pay pro rata.

See examples worked by this rule.

Having furnished a copy of this paper to my friend Col. Kinne six weeks since, and knowing as we do his ability as a thinker, writer, talker and fighter, did I not know that his thinking, writing, and talking on this subject is to find a rule to carry out the principles stated by him and quoted herein, I would not have taken the chances of being scalped, and whether he endorses, amends, or rejects the rule to apportion "all" instead of the "general" insurance, his views as usual will contain valuable information for all. I am indebted to him for many new ideas on rules, and join with him in asking others of you to take up the subject and pitch into him.

Making a rule is not the work of an hour, a day, or a year, and when made, its adoption by making our various policy clauses conform to it, will be the work of time.

Our present rules, or want of rules, is a disgrace to the profession, and ought to make a man ashamed of his calling.

I again ask you to take hold, get an idea of what you want, and when found adopt it, but make up your minds to make haste slowly.

Respectfully submitted,

—WILLIAM SEXTON.

After remarks by Mr. G. F. Grant, and others, Col. C. M. Kinne was called upon for his paper on the same subject. After expressing his regret that Mr. Sexton was unable to be present on this occasion, he read his paper as follows:

### COL. KINNE'S PAPER.

MR. PRESIDENT AND MEMBERS OF THE FIRE UNDERWRITERS' ASSOCIATION: I am permitted to make another showing of what I think about rules, at this meeting and at this particular time, through the courtesy of friend Sexton, who is nothing if not fair. He proposed to utterly annihilate the "Kinne Rule," and show its fallacies to you at this annual meeting, and was manly enough to send me his paper so that I might refute, deny and prove what I could.

You all know Brother Sexton. He is one possessed of that sturdy manhood, which not only brings him the love of woman, but the friendship

of man. I am proud to be ranked as one of his friends, and as such admire his integrity, pertinacity, acumen and thoughtfulness. But the best can make mistakes, the wisest can err, and I find that the Sextonian idea is an illustration of this truism. I'll try and show this later on. Just now let me say a word regarding the principle—the why and wherefore of the Kinne Rule.

Without going over all the ground again, it may be necessary to repeat some of the more salient points which I deem have a bearing on the whole proposition.

I believe that Mr. Griswold states the whole thing in a nutshell in his remarks preceding his rule on page 103, handbook, and that it is only a question of how to *properly apply* a proportional rule to cause it to become entirely general. My method of re-apportioning, in case it be found necessary, does this and at the same time gives results in harmony with the fundamental principle of a compound policy, which is “liability to its full amount upon either item under its protection when necessary.”

Griswold applies maximum liabilities in double compound policies to bridge the difficulty, and the difference in the results, as shown by the examples in my first communication to you, need not be repeated, but a single example of the practical working of my method in a simple non-concurrent case will suffice, and which I think will show that the principle so ably stated by Griswold is *universally* applied, and we now have a general rule—a harmonious rule,

### A PACIFIC RULE.

#### THE PRINCIPLE.

The principle governing all apportionments of loss under non-concurrent policies is, that general and specific insurances must be regarded as co-insurances; and general insurance must float over and contribute to loss on all subjects under its protection, in the proportions of the respective losses thereon, until the assured is indemnified, or the policy exhausted.

#### STEPS TO BE TAKEN.

The correct method of applying the principle has been formulated in the following:

FIRST—Ascertain the non-concurrence of the various policies and classify the various items covered, into as many groups as the non-concurrence demands, whether of property, location, or ownership.

SECOND—Ascertain the loss on such groups of items separately.

THIRD—If but a single group is found with a loss upon it, the amounts of all policies covering the group contribute pro-rata.

FOURTH—If more than one group has sustained a loss, and such loss on one or more groups be equal to or greater than the totals of general and specific insurance thereon, then let the whole amount of such insurances apply to the payment of loss on such groups.

#### APPORTIONMENT.

FIFTH—If more than one group has sustained a loss, and such loss be less than the totals of unexhausted general and specific insurances thereon, then apportion the amount of each policy covering on such groups generally, to cover specifically on such groups, in the same proportion that the sum of the losses on such groups bears to the loss on each individual group.

#### RE-APPORTIONMENT.

SIXTH—If the loss on any group or groups is then found to be greater than the sum of the now specific insurances as apportioned, add sufficient to such specific insurances to make up the loss on the group, taking the amount of the deficiency from the now specific insurances of the heretofore general amounts previously covering the now deficient groups, *which cover on groups having an excess of insurance*, in the proportion that their sums bear to their individual amounts.

SEVENTH—Cause the amounts of all the now specific insurances to severally contribute pro-rata to pay the partial losses, and it will be found that the whole scheme has resulted in the claimant being fully indemnified in accordance with the various contracts and on a basis which preserves the equities between the companies throughout.

I have reproduced the whole rule at this point that no reference shall be needed to former papers. While it may be necessary in some case, I have omitted the former foot-note to the rule, "Repeat Step 6, when necessary," as so far I have never found it needed, and added "until the assured is indemnified," that there may be no misunderstanding of the intention of the principle.

This new departure from the usual method of causing a compound policy with a specific item, to first pay the loss on that item and then contribute on its entire residue, with the other companies on the general item, is based

on the loss to loss principle, and not maximum liability. And why should the old method be longer observed? If it is correct to apply the loss ratios as true ratios in the segregation of a compound policy in one case, why not in another, and do away entirely with *ratable* proportion, as a distinction from *pro rata* proportions?

Perhaps the broad and generous policy (the *honest one*, Sexton, has said) may have been a little too harshly dealt with heretofore, and if so, this rule helps it out when the loss ratios set apart were *more* than the loss. The item covered solely by the broad policy is not technically a *specific* one, when covered with others under one amount, only in the sense that a general policy is, as Griswold puts it, an aggregation of specific items. If the loss to loss ratios finds it entitled to a saving, why not grant it? It is only set apart, so to speak, for the time, and if the surplus be needed to indemnify the assured for loss on other items, it is at hand and available, under the re-apportionment step. This really then becomes a practical General Rule, and does not have to be departed from in any instance.

But let us fully understand just what will be the result of its operation. It will make no change in the present method of causing the company covering on any outside item in a broad policy, to pay that loss and then contribute with the residue, unless the loss ratios set apart more than enough to pay the loss, as will sometimes occur, depending on the amount of loss on other items. Under this rule, the excess would not be called on to contribute unless needed to make up a deficiency.

The following example will readily show its practical workings:

Prop'y.	A.	B.	A.	Apportion.	B.	To pay Loss.	A pays.	B pays.
Dwelling	\$1,000		\$1,000		\$600	\$300	\$187.50	\$112.50
W. H....		\$1,000			400	200		200.00
	\$1,000	\$1,000	\$1,000		\$1,000	\$500	\$187.50	\$312.50

Under the present system, B would pay the \$200 loss on W. H., and then contribute with A as 8 to 10 on dwelling, which would make A pay \$166.67 and B pay \$133.33, or \$333.33 altogether for B. My rule makes B save \$20.83 more than the old system; and why not? Suppose another company, C, had written \$1,000 on the W. H.; Mr. Griswold asserts that in such cases Co. B must be divided as 2 to 3. I am at a loss to understand why the principle of loss to loss changes because a company happens to write on the other item. With C Co. on W. H., we have A \$1,000 and B \$600 on dwelling, to pay \$300; and C \$1,000 and B \$400 on W. H., to pay \$200. This is the correct apportionment, as all admit; and why should the relations of A and B change when there is no C Co. on W. H.? If the relations do change, then it follows—oddly enough—that C Co., writing on W. H., makes A pay more on dwelling than if B were alone on W. H. Conversely, why A should pay less on dwelling when B has no one to contribute with it on W. H., seems unreasonable.

Under my rule, without C. Co., B pays all the loss on W. H., which

is penalty enough for writing a compound policy, but contributes it from the \$400 apportioned and set apart on a permanent principle. It will be seen that setting apart \$200 more than enough to pay the loss on W. H. does not save that amount for B Co. It only prevents such sum from contributing with A in the one case the same as in the other, thus making the principle apply universally. It is simply a question of equity between the companies; and believing that the principle is right, I so formulated the rule, and asked any of you to point out its impropriety or unfitness to be adopted as a rule for our guidance in the future. Mr. Sexton has attempted to do this and, failed; while at the same time, his failure carries with it, arguments in my favor.

Now let us refer to Mr. Sexton's paper, and find where he errs. He introduces the old example (with a slight change) of A. B. C. and D companies, writing on pork, flour and grain, to point out the impropriety of the Kinne Rule, and after a series of tables, gives us as a result, that flour and grain are each \$155 short of indemnity. He has simply gone back into the ancient history of my rule, and helped to show why the *then* step 3 should be dropped, although had he applied the foot note, which instructed him to repeat the rule, in case its first application created new deficiencies, the same result that the Griswold rule gives, would have been at once produced. I found this out long ago, and ascertained that in some practical cases, my first rule carried to the point of indemnifying the assured, would run into maximum liabilities, by a longer process than the Griswold rule, which applied to the example in question, would at once have resulted in the following apportionment.

	A.	B.	C.	D.	Ins.	To pay.
Pork.....	\$5,000	\$500	\$500	.....	\$6,000	\$4,000
Flour.....		4,500	.....	\$2,500	7,000	7,000
Grain.....		.....	4,500	2,500	7,000	7,000
	\$5,000	\$5,000	\$5,000	\$5,000	\$20,000	\$18,000

Mr. Sexton's solution by *what he calls* co-insurance is not honest, for while it makes D total, the same as above, he brings in B total and C saves \$333 $\frac{1}{3}$ . It all depends on which company got on to the ground first. If B did the figuring, he could give just as properly reverse the result.

As to the Kinne rule, Mr. Sexton has not grasped the idea. Let us apply the rule just as step 6 tells us. I take the figures up to the point of reapportionment from Mr. Sexton's paper, for thus far he has construed it properly.

#### APPORTIONMENT.

	A.	B.	C.	D.	Ins.	To pay.	Short
Pork.....	\$5,000	\$1,818	\$1,818	\$1,112	\$9,748	\$4,000	
Flour.....		3,182	.....	1,944	5,126	7,000	1,874
Grain.....		.....	3,182	1,944	5,126	7,000	1,874
	\$5,000	\$5,000	\$5,000	\$5,000	\$20,000	\$18,000	\$3,748

Stop here and we have the Finn Rule.

The Kinne rule says, "now take the amount of the deficiency from the specific insurances of the heretofore general amounts which cover on groups

having an excess of insurance, in the proportion that their sums bear to their individual amounts." Thus B 1818 + C 1818 + D 1112, gives 4748 to make up deficiency of 3748. A little figuring gives us the contribution as follows:

B has to apply.....	\$1,435	Leaving.....	\$383
C has to apply.....	1,435	Leaving.....	383
D has to apply.....	878	Leaving.....	234
Totals .....	\$3,748		\$1,000

The 3748 with the previous apportionment will now exactly meet the loss on Flour and Grain, and we have a re-apportionment to pay the loss on Pork, as follows:

A.....	\$5,000 00	Paying.....	\$3,333 33	Saving.....	\$1,666 66
B.....	383 00	Paying.....	255 33	Saving.....	127 66
C.....	383 00	Paying.....	255 33	Saving.....	127 66
D.....	234 00	Paying.....	156 00	Saving.....	78 00
	<u>\$6,000 00</u>		<u>\$4,000 00</u>		<u>\$2,000 00</u>

The Kinne rule does not fail and he does not have to fall back on the co-insurance rule, as Mr. Sexton so bravely asserted.

The result given by Mr. Sexton in applying his rule is here given that all may be compared:

A pays.....	\$4,000 00	Saving.....	\$1,000 00
B pays.....	4,666 66	Saving.....	333 33
C pays.....	4,666 66	Saving.....	333 33
D pays.....	4,666 66	Saving.....	333 33
Totals.....	<u>\$18,000 00</u>		<u>\$2,000 00</u>

I omit entirely the comparisons in his paper of the Kinne rule and the co-insurance rule, as he calls it, for there are two ways that he can figure out his idea of co-insurance, neither of which is correct, and his solution by the Kinne rule is altogether off. He does not do as the rule tells him, and several pages of his valuable paper are therefore misapplied energy, and a waste of time and thought.

Co-insurance does not mean equal insurance, but that there is an interest in common, the proportions of which are to be settled by some permanent equitable principle, and two equal policies may be co-insurers on an item, but if one covers other items also, then the basis of their co-partnership must be settled first, and this is done by the loss to loss ratios, as I apply them; in any case should a re-adjustment be necessary to cover loss, the existing equities between the co-insurers are preserved and the loss still governs the contribution.

Now let us compare the several systems correctly worked out by each rule, and we have:

Co.	FINN.		GRISWOLD.		SEXTON.		KINNE.	
	Pays.	Saves.	Pays.	Saves.	Pays.	Saves.	Pays.	Saves.
A	\$2,051 50	\$2,948 50	\$3,333 33	\$1,666 66	\$4,000 00	\$1,000 00	\$3,333 33	\$1,666 66
B	3,928 00	1,072 00	4,833 33	166 66	4,666 66	333 33	4,872 33	127 66
C	3,928 00	1,072 00	4,833 33	166 66	4,666 66	333 33	4,872 33	127 66
D	4,344 50	655 50	5,000 00	.....	4,666 66	333 33	4,922 00	78 00
	\$14,252 00	\$5,748 00	\$18,000 00	\$2,000 00	\$18,000 00	\$2,000 00	\$18,000 00	\$2,000 00

Mr. Finn starts fair, but stops short of indemnity, and lets the assured suffer to the extent of \$3,748, as Mr. F says, "because he has not affected his insurance properly or with judgment." Mr. Sexton makes B C and D pay exactly the same, though D covered three items, and B and C but two.

Mr. Griswold (and Fox) would make D pay a total, thereby B and C would save a little more, though D covered on the item which had the smaller loss as well as B and C. You can readily see the improprieties in each method.

The first the courts won't have, which settles that. The Sexton idea no adjuster will agree to, as equal policies with unequal losses in varying items should not pay equal amounts. Mr. Griswold is more correct, but leaves no saving for D Co., which I have shown before does not seem to be right, and so in comes the Kinne Rule which meets each and every contingency and just fills the bill. I claim nothing for my rule but simply this, that if a broad policy covers any item on which there is a saving, it should share with the others, unless it is exhausted by the losses on other items. "There is as much reason for salvage floating from one company to the other as there is for loss."—*Sexton*. This seems fair, is fair, and my rule provides an unchanging equitable method of accomplishing the result.

I feel that right here I might safely leave the matter in your hands, but as Mr. Sexton gives considerable space to my rule I cannot let him off just yet, especially as calling attention to some of his erroneous positions will strengthen the ground taken by me.

In the first place Mr. Sexton has devoted a great part of his paper to showing that my rule is the Finn rule,—which it is not, and to proving that the Kinne rule will not work,—but it does. The comparative table of the results of the four systems last given, prove his error in both of these propositions, so there is no need of going further on those points, and is a complete refutation of his audacious statement that "Col. Kinne, instead of making a new rule, took the loss to loss on the general insurance, Finn rule," and "amends it with the rule of proportion that won't work."

His assertions remind me of a little episode during the National adjustment of various non-concurrent ideas, in which Grant and Lee were adopting any rule that they thought would bring about an advantage to their re-

pective employers. We were having frequent company and battalion mounted drills in our regiment of cavalry opposite Yorktown, and our new horses were not in love with the brazen tones of the bugle. This was particularly noticeable in the case of a fractious little bay ridden by the bugler of A company, and which finally resulted in an exhibition of temper on his part, a bruised pair of horses' ears, and a terribly battered bugle. In due time the company returned, unsaddled, and as they responded to the dinner call, noticed at the head of the company street a demoralized little bugler, with his useless instrument hanging from his shoulder, standing on a barrel and excitedly asserting that, "you can't stand a man on a barrel for hitting his horse over the head with a bugle. I've been in the regular army, by goad, and its against the regulations, and you can't do it, by goad!" All the time *he was on the barrel*, and thus "Peter White and the barrel" became a standing joke in the regiment.

Brother Sexton says the Kinne rule won't work, but he's standing on a barrel, for it does work.

I do not claim that his rule will not work, but that it works too much. According to his own examples it works three different ways. In the one case, where a saving on items covered is found, we find an equal saving, in another varying savings, and in a third a total loss for some company.

He asserts that my re-apportioning rule is a change in the principle. I claim that it is not, for this reason. There can be no question but that the *loss to loss* principle caused the first apportionment to result in amounts which bear a certain relation to each other. This relation having been established, it follows that the use of these resultant amounts in making a reapportionment, simply carries out the principle of loss ratios to a further and equitable final result. Of course the amounts set apart by the apportionment which are unequal to the emergency of furnishing indemnity, cannot be called on in the re-apportionment. This is too obvious for elucidation and it is as readily seen that the unexhausted amounts of the general policies heretofore covering on the deficient items, must supply the deficiency. My rule does this on the same basis that first established the now existing relations, for the policies are now all specific and concurrent, and you well know that two or more policies pay a loss on an item jointly covered in proportion to their amounts.

Mr. Sexton calls this re-apportionment from specific items, "going outside," "re-assessing," etc., but can you not plainly see that the general policy must provide more if needed, and therefore loses enough from its superabundant items, to indemnify the assured, which must necessarily be based on the relationship of their now existing and concurrent amounts. The equations between these amounts having been made by the losses on the various items or groups, it but remains to divide the deficiency between the new specific insurances which were heretofore general and which have a surplus. This is but a pro-rating problem and readily applied. This method of reapportionment neither disturbs the harmony or principle of the

matter, but accords with both, as it is axiomatic that things which are equal to the same things are equal to each other. The Kinne Rule does not change, as Mr. Sexton claims, but is general, explicit, unchanging and follows the decisions of the courts to full indemnity to the assured, and is simply intended to protect the divers and diverse interests of the companies between themselves.

I do not use the idea of maximum liabilities, as I believe that that principle is only proper and equitable in seeing that the insured is fully indemnified. Maximum liability is really the same as insurance to insurance. When it comes to applying it as a basis of contribution between companies, it is no longer equitable, if the main proportion of loss to loss is, as we are bound to admit, the proper one. A principle cannot change, and any method of procedure necessitating a departure from one rule to another, contemplates a wrong somewhere.

The new rule will obviate this wrong and correct the impropriety of any introduction of the principle of causing policies to contribute to a loss on the basis of insurance to insurance, which often prevents a general policy from partaking of any of the crumbs of comfort to be found in a saving on subjects under its protection.

Several examples are introduced by Mr. Sexton to show what he thinks is inconsistent in the Kinne Rule, and in opposition to what he lays down as a principle in these words, viz.: "No rule can be made that will give an advantage to general as against specific insurance." Answer—The Kinne Rule does not, but the *losses* sometimes do. Here are his examples:

#### EXAMPLE 3.

A special and B general write equal policies. Losses unequal.

Sexton Rule—Each company pays same.

Kinne Rule—Payments in proportion to relative losses on subjects.

#### EXAMPLE 4.

A special and B general write equal policies. Losses unequal.

Sexton Rule—B pays 50 per cent. more than A.

Kinne Rule—Payments in proportion to relative losses on subjects.

#### EXAMPLE 5.

A and C special and B general write equal policies. Losses unequal.

Sexton Rule—All companies pay the same.

Kinne Rule—Payments in proportion to relative losses on subjects.

#### EXAMPLE 6.

A and C special and B general write equal policies. Losses unequal.

Sexton rule—A and B companies pay same, C pays less.

Kinne rule—Payments in proportion to relative losses on subjects.

The Sexton rule changes three times, but the Kinne principle is permanently adhered to in each case. The losses govern the contribution. At a cursory glance, taking a superficial view of the matter, it might seem that each of two special policies ought always to save more than a general one on same items, but when the loss on the first item is largely in excess of that on the second, the company writing specially on the first, must sometimes be exhausted, as there is a third factor in the case which has something to say about how much it is to lose. Taking this as his line of battle, Mr. Sexton may do a little skirmishing with me, as his nearest adversary, but his real foe is Mr. Griswold, Fox, Judge Marshall and a host of others. Example 2, page 109, Griswold's hand-book fully argues this position and concludes thus: "Company A makes no salvage here, because, with the pro rata contributive liability of company C., its co-insurer, the total insurance on dwelling is still short of indemnity, hence there can be no salvage to either company on *this item*. Company C must make good the deficiency from its salvage on warehouse, where the contributive insurance, even after C had contributed to the deficit on dwelling, was in excess of the loss; but company A *has no claim upon company C's balance.*" (C here is company B in Mr. Sexton's example 6.) My rule simply goes farther; applies to other cases, divides *all* general policies in all cases after the fire, into specific parts or insurances, in the ratios that the losses bear to each other, and by a reapportionment when necessary, *on the same basis*, causes it to apply equitably, to simple, compound or double compound cases. If a case occurs where a special policy is exhausted, and a general one is not, it is always where a careful consideration of the equities will show that the general policies should participate in the salvage, because it is fortunate enough to have included a less damaged item. It will always pay more than the company writing on that item alone, but not necessarily more than the company which, unfortunately, wrote on the item which met with great loss. It is manifestly not proper for all to pay alike, as the Sexton rules permits at times.

It is rather hard to present one's ideas on so prolific a subject without being in danger of repetition, and in looking this over I find I am liable to be called to account for being prolix at times. However I do not think I have done more than introduce the same idea in different ways, and not like brother Sexton, changed the "honest policy" which he spoke of a few months ago, into "negligent policy writing" to-day.

I am prepared with a few examples on paper drawn large enough for all to see from any part of the room, and the black board is handy for any case that may need elucidation. I am fully in accord with Mr. Sexton as to the advisability of this association adopting a general rule and applaud his allusions to those who might object on the ground he states. I don't think any one can object to the adoption of a rule, but what rule shall we adopt? I claim my principle is correct, and if you will point out a case where the rule will not work in harmony with the principle, I'll say no more. I mean just what I say, and now what are you going to do about it. This talking and writing papers will convince none of you, if you do not care to give the

subject some earnest thought. If any other rule is better, adopt it; but by all means come to an understanding on some proposition, and not have a dozen rules to select from when you happen to get on the ground first and can see a saving for your company by making some one else suffer at the expense of equity.

Respectfully submitted,

C. MASON KINNE.

Mr. Geo. D. Dornin—I should like to have some expression with reference to the two rules proposed, and trust that on Mr. Sexton's return, all the members may be furnished with copies of the last two papers read, and that the subject thereof may receive serious consideration at a special meeting. I move that the President be requested to call such special meeting for the purpose suggested.

The motion was carried.

Col. C. M. Kinne—I had hoped that some definite action would be taken at this meeting. We have already spent much time and given a great deal of attention to the subject. The *Coast Review*, to which I beg to return my thanks for its kindness, has given such publicity to the various papers as should have enabled the members to become thoroughly acquainted with the subject under consideration, and I am now prepared to answer any questions in relation to this rule. I should be pleased to give any explanations to whomsoever may desire them.

Mr. Geo. D. Dornin—I regret that Mr. Sexton is not able to be present to champion his rule, as I know he was very desirous of being here.

The President—The next in order is the report of the Library Committee, Mr. J. W. Staples, Chairman.

## REPORT OF LIBRARY COMMITTEE.

SAN FRANCISCO, February 19, 1884.

TO THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC: GENTLEMEN—In the general arrangement of the various Standing Committees, that on Library is placed last on the list. This doubtless was done because so many valuable papers are received before the time comes for the report of the

Library Committee, so that little, if any, report is expected. Taking that view of the case, your Committee will be as brief as possible.

The duties of the Committee have never been well defined; and it was only when the Committee, of which Mr. Geo. W. Spencer was Chairman, took the initiative, that any considerable progress was made in collecting money, which might be devoted solely to the purchase of books and materials for the library.

The last year's report showed how well the selection was made, in the energetic Chairman; how faithfully he performed the self imposed duty of collecting money for the use of the library, and how well the funds were invested.

When the present Committee were appointed, the sum of \$107.82 was turned over by the Chairman, Mr. Spencer.

The last Committee finding that the accommodations were insufficient, placed a new library case in position and disposed of the two old ones, realizing for them the sum of \$45; this sum was included in the balance turned over to the present Committee. The two cases having originally been purchased by the Association out of the general funds, it was thought best by the Association that so much of the funds in the hands of the Committee on Library as was derived from such sale of the two cases, should be returned to the General Fund, and on a request from your Secretary, the sum of \$45 was turned over to him.

At a meeting held October 16, 1883, the Association by vote called upon this Committee to pay a balance due on printing last year's proceedings, amounting to \$52.60; thus reducing the funds in the hands of your Committee to the sum of \$10.22!

You will therefore see that with the small sum noted above, the Committee did not feel inclined to put on airs by ordering extensively in the book line.

The only outlays thus far have been for one volume of *Encyclopædia Americana*, price \$6, and 150 envelopes at 75 cents, leaving on hand the large sum of \$3.47 to turn over to our successors.

Your Committee regret that no more elaborate showing can be made or valuable additions to the library shelves chronicled, but circumstances have prevented a vigorous canvass for books or money. The year just past brought with it so many calls for money in many directions—notably was this the case with those interested in the Triennial Conclave—so that every one who was approached said, "better wait another year;" this is our apology. Right here, however, we desire to say that should any generous minded person desire to extend to the Library Committee contributions, either in money or insurance literature, the Chairman of the Committee will be always ready to receive either or both, and to make the necessary thanks therefor.

To our German members we can offer a rare opportunity to peruse papers in their own vernacular, this through the courtesy of Mr. Frank, who will tell them the names of the papers and their contents.

The dues of the Association are placed at the low sum of \$2.50, which is just about enough to pay the various demands made upon the Treasurer. Your Committee would therefore suggest the advisability of increasing the

annual dues to \$5, and of this sum \$2 to be placed to the credit of the Library Fund, and to this end we recommend that the Constitution be changed so as to provide for a General Fund and a Library Fund; the latter to be subject to the action of the Committee on Library, and to be drawn only when a proper voucher is presented. We now have a membership of 82 active members, and with two dollars from each coming into the Library Fund each year, would enable the Committee on Library to make valuable purchases and a report worthy of the Association. Our Association can congratulate itself on possessing the best insurance library of any kindred association in the United States.

The Fire Underwriters' Association of the Northwest have at last wakened to the necessity of providing a library of reference, and have begun accumulating books. So far they show about 120 volumes, about one-half of which are state insurance reports, valuable for statistics.

Accompanying this will be found a catalogue of the books and pamphlets now in our library case.

Hoping that you will appoint for our successors a good working committee and generously sustain them in their efforts, we remain

Respectfully yours.

J. W. STAPLES, Chairman

Committee on Library.

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## CATALOGUE

OF BOOKS IN THE CASE OF THE FIRE UNDERWRITERS' ASSOCIATION OF THE  
PACIFIC, SAN FRANCISCO, CALIFORNIA, FEBRUARY 19, 1884.

- 1 vol. Agency, Storey on, 9th edition.
- 1 " Agency and Agents, Wharton's Commentaries.
- 1 " American Criminal Law, Desty.
- 4 " Commentaries, Kent.
- 3 " Contracts, Parson on
- 1 " Corporations, Angell & Ames, 11th edition.
- 2 " Codes and Statutes of California.
- 14 " Coast Review, 1872—1883.
- 1 " Current Form of Policy, Beveridge.
- 1 " Digest of Fire Insurance Decisions, Clement & Oates.
- 1 " Digest of Fire Insurance Decisions, Supplement, Clement.
- 1 " Digest of Insurance Law, Sansum.
- 1 " Digest of Insurance Decisions, Fire and Marine, Hine & Nichols.
- 4 " Dictionary of Art, Manufactures and Mines, Ure.
- 1 " Dictionary, Webster Unabridged.
- 14 " Encyclopædia Britannica, 9th edition.
- 1 " Encyclopædia Americana, Supplement to Britannica.
- 1 " Estoppel, Bigelow on, 3d edition.

- 3 vol. Evidence, Greenleaf on  
 1 " Electric Lighting, Morton.  
 1 " Fire Insurance and Causes of Fire, Moore.  
 2 " Insurance, May on, 1st and 2d editions.  
 2 " " Phillips on  
 1 " " Wood on  
 1 " " Flanders on  
 5 " " Cases—Fire, Bennett on  
 1 " " Guide and Hand-Book.  
 12 " " Law Journal.  
 17 " " Monitor, 1853 to 1883.  
 7 " " Times, 1877 to 1883.  
 6 " " Cyclopædia, Walford.  
 7 " " Gazette, United States, vols. 18-26.  
 1 " " Statutes, United States and Canada, Hine.  
 1 " Letters to an Agent, Hine.  
 1 " Losses on Buildings, Waters.  
 2 " Mortgage, Jones on  
 1 " Notice, Law of, Wade on  
 1 " Principles of the Law of Insurance, Barbour.  
 1 " Practice of Fire Underwriting, Ducat.  
 1 " Partnership, Storey on, 7th edition.  
 " Proceedings Underwriters' Association of the Northwest, 18—to 1883.  
 1 " Proceedings Fire Underwriters' Association of the Pacific, 1875-1882.  
 " Reports, Fire Patrol, 1875-1883.  
 " Reports, Municipal, San Francisco, 1874-1883.  
 " Report Insurance Commissioner, New York, 1860-1882.  
 " " " " California, 1868-1882.  
 1 " " " " Rhode Island, 1882.  
 1 " " " " Kansas, 1882.  
 1 " " " " Massachusetts, 1862.  
 1 " " " " Maryland, 1882.  
 1 " " " " New Jersey, 1882.  
 1 " " " " Kentucky, 1882.  
 1 " " " " Ohio, 1882.  
 3 " Report San Francisco Fire Marshal, 1864-1882.  
 3 " " " " Fire Department, 1867-1882.  
 1 " Spontaneous Combustion, Papworth.  
 1 " Statutory Requirements, Relating to Insurance.  
 19 " Spectator, 1868-1883.  
 1 " Underwriter's Text-Book, Griswold.  
 4 " Underwriter, The, of Philadelphia.  
 1 " Waiver and Estoppel, Beveridge.

[About 200 volumes.]

Mr. C. T. Hopkins—I cannot endorse the suggestion of the Committee that the fees of membership shall be doubled in order to furnish means for increasing the library. Stockholders in Insurance Companies are sufficiently interested in Insurance education to furnish all the facilities required for the use of the large body of bright and ambitious young men who are trying to qualify themselves as underwriters. These young men form the bulk of our membership, and I do not approve of taxing their lean pockets for books, so long as they are willing to tax their time and brain in using them. As a representative of one of the corporations I offer to head a subscription for a library fund with \$50, and challenge other members present to follow suit.

These remarks were received with much applause.

Mr. Geo. D. Dornin—I pledge myself to subscribe the same amount as that offered by Mr. Hopkins, provided the action be made general among the leading offices.

Mr. T. C. Grant—I think this matter could receive more systematic attention at the hands of a committee that should present a subscription paper for signatures to the several offices.

The President—Mr. Grant's suggestion seems to me to be a good one. There are doubtless many here who are confident that their companions would subscribe liberally, but whose connection with said companies is such that they do not feel authorized to bind them. This is, at least, my own case.

Mr. Geo. F. Grant—I move that Mr. Hopkins be appointed a committee of one to procure subscriptions as suggested.

Mr. Chas. D. Haven—I move as an amendment that Mr. Hopkins be appointed to act with the library committee for the purpose suggested. The amendment was accepted by Mr. Geo. F. Grant, and the motion was carried.

The President—Next in order comes the paper on Special Agents, by Mr. Geo. F. Grant.

#### PAPER ON SPECIAL AGENTS.

MR. PRESIDENT AND GENTLEMEN OF THE UNDERWRITERS' ASSOCIATION OF THE PACIFIC—This paper is written by request and is entitled Special Agents;

a broad subject truly. Ever since the world began *everything* has been developed by special agency

The wise men of the East following the star until it rested over the Kahn at Bethlehem, were special agents of a sublime management. Avoiding the temptation to generalize, let us confine our attention to the subject of this paper, as he is found in the pursuit of his business in fire insurance. As the ant struggles along the pathway worn smooth by the tread of myriads of fellow toilers bent on garnering a bit of winter's food, so the "special" plays his little part. Each fulfills his destiny and dies. The impression created, the record left behind, is no greater (considering mind and instinct) in the one case than in the other. This statement is not flattering to the egotist, nor is it encouraging to the ambitious; it should not disturb either, for the same simile applies with equal force to the race of mankind.

The fire insurance special, in order to make his way to the head of his profession, must be endowed with mental and physical endurance to withstand the constant and severe strains put upon him. His duties are many and varied, and may be classified as follows:

- 1st. The solicitor.
- 2d. The field manager.
- 3d. The collector.
- 4th. The adjuster.

The perfect special, as found on the Pacific Coast, is an expert in all of these duties; let us consider them in the order named.

THE SOLICITOR is for the most part young, also inexperienced; he follows such instructions as it is safe to give him, and acts only under advice from the office; he must be all things to all people, he must have the characteristics of a "confidence man," with a reserve fund of morals to prove that confidence in him is not misplaced; when he has learned the difference between assurance and impudence he has made a long stride towards promotion. With hay seed in his hair at Yuba City, and a dude-like exterior at San José, he makes an equally good impression. The solicitor is employed by the very best companies, hence I infer he is legitimate. He is not infrequently known in the interior as an insurance drummer, and when six or seven of him there meet, insurance talk becomes very cheap talk indeed. To give an experienced special this kind of work is like putting a race horse to the plow.

THE FIELD MANAGER appoints and protects local agents, surveys towns, inspects risks and builds up the business of his company.

1st. APPOINTING AGENTS.—There are not twenty cities in California large enough to support a local agent by insurance alone; thus, when he proves a success, he often gets an appointment for a "District," embracing sometimes one county, sometimes several counties. So far as I have been able to learn, this leads to increased commissions, unusual privileges, and lax supervision. The district agent does not keep posted on changes in risks away from home,

and he inclines to the opinion that the visiting special is a meddlesome agent of a district, but little, if any, more important than his own. If by chance he is fitted for the "District," he is fitted for promotion, and soon becomes a part of the office staff, leaving an incompetent successor to misdirect affairs in the "District." This inexperienced successor is a fraud on the whole fraternity; he not only undoes the good accomplished by his predecessor, but creates a demand for all that is bad. I call your attention to this matter as a subject worthy of consideration.

We have several hundred river and railroad stations called towns in California yielding from \$100 to \$500 each in annual premiums. Planting an agent in one of these places is purely a venture. An entire community has been tried in turn, from clergyman to saloon keeper without good result. Experience shows that any intelligent man who will lend an attentive ear has it in him to serve the company well. Put an agent in every one of these places if you like, but do not fail to visit him several times a year, otherwise, you and your company are forgotten. I believe it wise for agents in large towns to appoint locals in small towns around them. As a country develops, small cross-road villages become of importance. An agent in the city near by can often make a more satisfactory appointment than the special, for the reason that he is familiar with the antecedents of the people. He thus acts as "special" for the time being, instructing the new agent, who reports to the home office. This done the duty of the *pro tem.* special ceases in that direction. A visit from the regular special on his next round has an unusual significance to the new appointee.

A special protects a local in many ways: From the insinuating advances of a demoralizing rival, by wholesome instructions, by the loan of text books, by studying with him, raising his standard of insurance to the dignity of a lasting business pursuit. He also protects him from the too frequent spleen of those managers who are asleep in the present, but wide awake to past methods. The iron rule of fifteen years ago will not do for to-day. Arbitrary pronouncements, exacting impossibilities, read well at a directors' meeting, they bring no premium receipts. We must keep up with the march or fall out of the ranks—business respects neither age nor position.

It is a protection to a local to report on his peculiarities, describe his disposition, temperament and weak points. Correspondence is the principal means of communication between him and the office. It is wise to inform the manager what manner of person he addresses.

2d. SURVEYING TOWNS.—The Field Manager invites or prevents chances of heavy loss. Upon his report depends the lines of the company. This report should be based on the general character and construction of buildings, direction and force of winds, winter and summer, extreme indications of the thermometer, supply and power of water, management of fire department, police and sanitary regulations, occupation and moral tone of the community, together with any feature of local importance. This report can be condensed in printed form and indexed ready reference for daily office use. It is wise

to leave a blank page upon which to note changes from time to time, as they may be observed, in subsequent visits.

3d. **INSPECTING RISKS.**—One may inspect risks for a lifetime and gain knowledge from them day by day. No inspector has yet reached an age when he knows for a fact that which he assumed to know in the early days of his appointment. Inspecting risks, aside from confirming the correctness of rates, involves a study the which if a man were perfect would provide him a competence outside the pale of insurance. To an experienced special a casual glance gives an intuitive impression which determines the grade of a risk. Such impressions are not safe. He must delve into the very core of plans and specifications, study mills and manufactories, new machinery and appliances, dig into association reports. The time comes when each risk is an entertaining friend—a friend to be protected from loss, not abandoned to self-destruction.

In this inspection we are brought face to face with the policy holder, and for varied phases of human nature observe him well. Here is the suspicious man who thinks you are a spy, the belligerent one who affects to despise his policy, and who seems desirous of offering personal violence, the mild mannered person, yielding but confused—and at last the self-styled “business party,” who demands the closest scrutiny, even into his books of account, and between these extremes every grade and shade of manner and conscience, each man of whom hastens to assure you his rate is much too high. Let this be your test: If you cannot show cause why the rate on any given risk should not be higher, you are not yet a special agent.

The rates on the Pacific Coast to-day are inadequate. There is not an underwriter, with ears to hear and eyes to see, who does not know it. The profit we expect and should enjoy fails us year by year. If you will tell me why the needle points to the pole, I will explain why insurance people cut their own business throats—it is past finding out. Special agents, the remedy is in your hands. In inspecting risks, the first and main object is to determine if your rate is adequate, and whether it be laid down in a book or made up “out of your head,” it is no credit to the special if he cannot make clear—

1st. If the rate is correct.

2d. Why is it correct?

4th. In building up the business of his company the field man has use for all his native talent, together with such cultivation as chance has offered. The local agent is admitted to be the foundation of those solid columns of figures which show conspicuously in annual statements. The local agent then is of the first importance. A special who can discover a strong nature and cement to it a business friendship, need not fear competition. Offers of increased commission will not buy his local agent from him.

This is an open secret. Treat your agent with the hearty sincerity you yourself demand. Render unto him spontaneous assistance and encouragement such as you delight to receive; he will incline to you as the ripe fruit on the bough. At the same time, since no two men are alike, the hearty

sincerity which charms at Eureka may be as wormwood and gail at San Diego. Be discriminating in your spontaneity.

Judicious hospitality helps to build up the business of the company—entertaining the agent in his own field is right and proper. A manager who will criticise this item in an expense account has never been a successful special agent.

Building slowly insures the most permanent success. Where competition is sharp the desire to outdo a rival and secure good results frequently overleaps the object—excitement rules where logic should prevail. It is wise to remember that years and years of special work to be accomplished lie beyond. When a special has curbed his desire to rush on to the next town, he has built well for the company. Being in no hurry, he finds all his work carefully done and time to spare before the coming of the next train. He can build up the business of his own and every other company by sustaining the honor and dignity of the profession by fraternizing with his fellow special, by cultivating the acquaintance of all local agents. There is no business on earth which can be discussed so freely between rivals. It is open field and a fair fight. What slight advantage may be gained by deceiving him to-day will be lost by his untruth to-morrow. It is worth while to be honest, if only to use it as a "trade mark." It was the sly, underground detective kind of work which brought reproach to the name of insurance and which forms the subject of jest in the public print and on the stage, jests which are thinly disguised sneers.

Let us build up the business so that all classes shall regard it as a legitimate calling, as much a necessity as any trade or profession.

**COLLECTING.**—There is no part of the business more disagreeable in itself, or more humiliating to the special agent, than that of collecting overdue balances. If any special has a natural taste for this sort of thing let him discourage it. It does not enter into the study of an underwriter, and there is a wide field open for its practice outside of insurance.

Some specials, who have a reputation for being good collectors, have gained it through their detestation of the work. With a courage born of despair they meet success at the first attack. No amount of experience relieves it of its disagreeable features. Money which should come, in the course of things, regularly and freely, is withheld or delayed, to the annoyance of the office and the disarrangement of business plans. No special who has been called upon to collect overdue balances from delinquent agents, will deny that the system of credit is the root of the evil. Wherever introduced, credit as a substitute for cash payment of premiums, was sowing the wind to reap the whirlwind. On the Pacific Coast it came first as a small measure of advantage over established rules, giving a temporary leverage. Like all small vices, it crept into a habit before it was recognized. Want of business courage gave to it an air of respectability; special agents all along the line fell down before it. Where formerly the rule required monthly remittances with an explanation of the small unpaid list accompanying the account cur-

rent, was substituted, without comment, the words "balance due company." The expense of collecting these balances, reckoning time and money, increases the commission on business from that agency beyond the limit of possible profit. He is a wise special who knows when to drop an agent. Credit is the root of the evil, inasmuch as it presents an opportunity for thieves to steal and weak minded to pilfer, and whether the delinquent be a deliberate thief or criminally careless, it is all one to the collector. His business is to get the balance due. Experience proves that the better way to accomplish this end is a plain statement of facts to the culprit, giving him no longer time to hand over the amount than the usual hour of closing at the bank. If that fails, put the case into the hands of the best attorney to prosecute, then drop the man at once and forever. All delinquents are not thieves or even criminally careless. Circumstances may arise to place a good man in a false position. Listen patiently to his story; give him the benefit of your experience; your advice will sometimes put a despairing man in the way of a satisfactory settlement. The evil can be easily killed by simple means, viz: "united action." And I speak these words with confidence, for, thanks to the special agents of the Northwest, united action is possible in the year 1884. Nay, more, it is the fashion, the craze of the hour. Not with those who have toiled and borne the heat of the day to secure it, but with those who have been at last converted, and who now appear pleased with it as with a toy. Since the compact manager is the keeper of the insurance conscience, let *him* regulate credits.

The ADJUSTER, in his highest development, bears the same relations to his company as the diplomat to his nation; he is, in a measure, superior to his principal, for his action is final, right or wrong. He should be wise, cunning, honest, honorable, gentlemanly and full of tact. If he possess these qualities he will do his whole duty without one thought of what effect an adjustment may have on the future business of the company, and the company will prosper and increase its business as a result of this very method. Adjusting is distinct from every other part of the insurance business; it is of the same importance to underwriting that the commissary department is to the moving army. I do not happen to know how adjusters are made in other fields, but I am told that east of the Rockies they are trained by skilled experts, and pass through years of probation before they are accepted, approved. Some day the same will be said of the adjuster here; at present no special has an opportunity to do more than play at adjusting. We miss the infinite variety of hazards, the manufactories, elevators, packing houses and kindred risks; settlements are not snarled with non-concurrent policies like those of our Eastern friends. In short, it would take a lifetime of practice such as ours to fit a special agent for the position of adjuster. California claimants prefer a speedy compromise to an elaborate detail of loss papers. Not many years ago, when the gambling spirit pervaded all classes of society, a game of "seven up" for double or quits would have quieted the demands of the average claimant, and the result would have given complete satisfaction. It is the duty of the special agent to

educate the assured in this particular, giving short lectures on the importance of business detail when opportunity offers. What is known as "salvage" in fire insurance, is a mistake. The demand for salvage should be suppressed. It is ill-advised criticism to compliment an adjuster on figures showing less than the face of the policy. If the agent has followed instructions in accepting the risk, and the property is entirely destroyed, a "total loss" is inevitable. Partial losses are frequently closed hastily because they are partial; in nine cases out of ten claimants receive more than the amount of damage in small losses. Investigation should be thorough in all cases; fraud lurks in many a loss. On the other hand, let no advantage be taken. Many honest people have no business instinct; it is easy to confuse a weak man and force a settlement by compromise, but his dull mind will detect the fraud in time. Such settlements work an injury to the whole business.

There is something electric about an adjustment; the telegram, the dash for home, the hastily packed satchel, the quick embrace and brief farewell, all give vigor and animation, no matter what the previous mood. The speeding train rushes past familiar towns; no halt for the adjuster; his work, lies beyond; the bustle of travel takes on a new interest; the agent's welcome has a new meaning; all is electric, even the inconsistency of the claimant sends its thrill through you, and finally with papers closed, new made friends acting as escort to the homeward train, you are conscious of an unusual pulse beating time to gratified pride at work accomplished.

The usual limit of time accorded a paper of this kind is about exhausted, and yet I have done nothing more than outline the duties of a Pacific Coast special. There is no royal road to success in this business; each one marks out his course and pursues it, fighting daily for his object; experience alone brings confidence, and out of that experience I make a few kindly suggestions to the youth who have lately entered the ranks. To them I say: Never forget that there can be but one head—the Manager. To him you bear the most confidential relations. It is correct to see with his eyes, and think with his understanding. As time goes on each loses his identity in the endeavor to secure a common good for the office. When in the field give particular attention to correspondence; write daily, if possible, while the subject is fresh in your mind; new duties will drive away the thoughts of yesterday. Confine yourself to facts, avoiding predictions and speculations. Thus you have a plain concise history of your trip, valuable for reference always. Never hurry your work. If exhausted or sick, rest and recover before going further. A healthful appearance and smiling face is your best card at the office, and you are always ready for the next trip.

Take up the thread of home business where you last left it, and quickly inform yourself of what has transpired to date. Cultivate a memory for names and faces—it is invaluable.

Being human you are sure to make mistakes; if you are in earnest you will not commit the same error twice. Forestall exposure and disarm criticism by a frank avowal. Do not confound ambition with self-conceit. Your abil-

ity will be appreciated long before you know of it. Do your duty for all there is in it. Recognition will overtake you on the way. Be economical, at the same time get the best accommodations everywhere. There is no better position for a young man. Your associates are gentlemen, your surroundings respectable, your position one of responsibility and trust. Your salary pays for all the hardships you endure—you gain experience and become in a measure a man of the world at the expense of another. I wish you good luck in your undertaking.

GEO. F. GRANT.

On motion the association adjourned until the next day at 10:30, A. M.

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## SECOND DAY.

WEDNESDAY, February 20th, 1884.

The meeting was called to order at 10:30 A. M.

The President—Some time ago I wrote to Mr. Frank W. Ballard, editor of the *Review*, of New York, asking him whether he would not follow the example which Mr. C. C. Hine of the *Insurance Monitor* set last year, and give us a paper to be read on this occasion. While I did not, of course, name any subject for him, I intimated that there was an opportunity for saying something about the “Daily Press as Insurance Critics.” In a personal note Mr. Ballard explains that he has been very busy, working from twelve to fifteen hours daily for the past two months, and that that is the reason why he has not given us a more lengthy paper. I have asked Mr. Dornin to read what Mr. Ballard had to say about “the Newspaper Press and its Treatment of Insurance Questions.”

Mr. Geo. D. Dornin—I have been called upon by the President of this Association to read the paper of Mr. Ballard, and also to supplement it with some remarks of my own. But I am not disposed to cross lances with a journalist who has a much larger paper than the *Voice of the Lion* at hand. So with this little prelude I will read this paper.

## MR. BALLARD'S PAPER ON THE NEWSPAPER PRESS, AND ITS TREATMENT OF INSURANCE QUESTIONS.

MR. PRESIDENT, AND MEMBERS OF THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC—When I so cruelly accepted the invitation with which you honored me, I honestly intended to fulfill the designated mission to the best of my ability. It seemed to me both proper and expedient that somebody should improve the occasion to say, for both journalists and underwriters, a few truths about their mutual antipathies and antagonisms. And who might offer this sacrifice more rightly than one who, in his day, had been both underwriter and journalist? Thus reasoning, I too hastily bit at the bait offered, and hoped to be “landed” in due time in the assigned place on your programme and platform. But this is a time of year when business jostles pleasure aside and crowds out even the hope of outside usefulness in however modest a line of service. I have found it simply impossible, for want of time, to prepare the kind of paper you assigned to me, and yet, something should be said on the subject of the “Newspaper Press and its Treatment of Insurance Questions.” The topic is a practical one and not at all threadbare. Perhaps, its discussion, in a good-natured, dignified, fair-minded way, would be beneficial to both journalists and insurance men. Let us hope, any way, that the latter may not be injured thereby.

There are two circumstances—one of experience, the other of common (possibly malicious) rumor—which at the threshold of such a subject come to mind and will not lapse until let into the very introduction of the discussion. It happened to me, for the more sure securing of a varied experience in life some years ago, that the hod-carrying department of labor known as journalism fell to my lot. Quite often topics were assigned me, by my “chief,” with orders to write editorials thereon, respecting which I had neither opinions nor knowledge—to say nothing of facts. Protesting to this effect, my protests were always met with the crushing reply: “Well, if you don’t know anything about the subject, you are, of all men, the best qualified to write about it, because you are without prejudice or partiality thereanent.” This was an experience. Touching the other circumstance—that of common rumor—it is reported (let me repeat, maliciously) that the proprietor and alleged editor of a certain metropolitan daily which is supposed by ignorant foreigners to be the leading American newspaper, is accustomed to plunge into his office unexpectedly, after long absences, and issue the order to “shake ’em up.” That is to say, at certain irregular periods, which can never be foreseen, but are sure to occur, the erratic “chief” directs his managing editor to “shake up” the several heads of departments, so that each shall take another’s place. In pursuance of this order, the sporting editor finds himself detailed to write political articles, the police reporter becomes the musical critic, the gentleman who has been reporting sermons on Sunday morning takes charge of the police court proceedings, the financial editor becomes the dramatic critic, while the musical and dramatic critics are sent to

hunt, as it were, in couples, for information about the Mississippi floods and what not, including, possibly, insurance. As suggested by the promulgator of this rumor, the result of this "shake up" process may be a certain reckless independence of statement; but it has one advantage, it throws new light on most known questions, and enables the paper referred to to put forth most startling opinions on matters of politics, finance, etc.

Now, did it ever occur to you or your fellow underwriters of the Pacific Coast, that something of this kind might account for the eccentric, whimsical, not to say ridiculous methods of the average daily newspaper when treating of insurance matters, and even of insurance news. Ignorance may thus be detailed to write about insurance, on the ground that unwisdom must be synonymous with impartiality, and, at the least, express itself without a taint of prejudice. Or, on the other hand, the "shake 'em up" process may temporarily and for the nonce, make an insurance writer out of material designed by nature and taste for the sporting, dramatic, political, musical or financial sphere of journalism. Whether causes like these really do produce the astounding effects we often see when insurance discussion is wildly undertaken by the average newspaper, it may not be courteous to allege, and yet, the thoughtful, not to say irascible underwriter is tempted, when feeling the effects, to seek for some such crazy cause.

The truth may as well be spoken, however, at the outset; and this truth is that underwriters themselves are largely, perhaps altogether, to blame for the existing state of things which gives them so much misery and ill temper. If the newspaper press makes itself ridiculous and unjust in its treatment of insurance news and insurance questions, is it not mainly because underwriters take no pains to help educate the public through the daily press? Insurance men appear much more willing to pose as martyrs or victims, than to make any exertion to head off unjust criticism of their specialty, by themselves contributing or encouraging others to contribute to the press what the public needs to read and ought to have a chance to read. Is it not true that a fair proportion of underwriting talent could easily be switched off occasionally from the rail of professional occupation on to the "rail" of the press? If reply and correction quickly and always followed newspaper misrepresentation and ignorance, and this, too, in a gregarious and self-asserting way, the mischief would measurably be undone at once, and the very process would aid to educate both the public and the press. The average journalist, until taught better, must perforce blunder on in his one-sided view of insurance as a bonanza for stockholders, a confidence game on the part of underwriters, and something worse than a lottery for the public. Thus thinking—and encouraged and compelled to think thus by blear-eyed policy-holders—what wonder that journalists write as they think, so long as insurance men, who know better and are equally able to fondle the public ear, keep quiet and lazily languish out a complaint, or like Shakespeare's soldier, "swear a prayer or two" in the privacy of their offices! It is to be remembered that every newspaper of importance, wherever located, is the daily

product of many men's brains and a bundle of many men's habits of thinking—supervised and controlled, indeed, in a general way, by a chief editor's will or whim. These men, let me whisper, are not all angels, "but of like passions with" yourselves, and, perhaps, even more dyspeptically inclined than you—especially if they get the notion that your professional eye looks down upon their professional work. For don't forget, that dress as he may, roost where he may, or however brusque his voice may sound, the average writer for the press, from lowest reporter up, presumes to be "king among hogs," and not at all the "hog among kings," which some underwriters, even, might consider him. And it will never pay to lord it over the newspaper man in a tone of voice or a style of communication which assumes his crass ignorance and his calloused conscience or judgment. Pure assumption goes for nothing with your genuine journalist. He wants facts, fully as much as the most inexorable Gradgrind; but they must not be hurled at him rock fashion or from a pea-shooter. It is, I am inclined to think, just here that underwriters make a mistake—first in charging the entire press with a malevolent spirit and an unjust tendency as regards insurance discussion, and then acting upon the suspicion by donning the mantle of dignity, instead of the mantle of charity, or sulking in their tents, instead of squarely meeting the issues raised. No honest journalist will refuse to admit a courteously worded correction of his errors. But it isn't worth while to allege intentional falsehood, or flaunt in his face your own infallible knowledge and experience contrasted with his alleged meanness, malice and ignorance. For, mind you, it is just possible that, taken on another tack, he might easily beat you out of sight—and he knows it, too.

An influential newspaper is a composite. It may not be worth while to engraft an insurance department upon every great journal; but it would be possible, and at the same time worth while, to see that the leading papers were supplied with the means of securing safe writers on insurance and supported in remunerating them. At this time, it is doubtful if ten daily newspapers in this country have upon their staffs men capable of writing upon insurance generally and specifically with intelligence and effectiveness. Is it any wonder that so much misinformation on this subject is lying around loose and constantly being added to? It is for the underwriters themselves to ameliorate the condition of the poor Press in this matter, and at the same time help their own condition by co-operating in the newspaper education of the people. Their co-operation would be welcomed, I doubt not; especially if it were tendered in the right spirit and then systematically given. When I say the right spirit, I mean something quite different from the axe-grinding spirit and the selfish, jealous temper which takes too narrow views to allow of impartial and broad general treatment of the topic in hand.

Outside contributors are often a necessity on leading journals; and trustworthy writers on insurance would be welcomed as occasional or periodical contributors. And they would be fairly compensated, too. Here then, it seems to me, underwriters have in their own hands a remedy for the abuses

which an uninformed journalism may make them suffer. Let them turn their vengeful swords into peaceful pens and compel both the press and the public to perceive that the pen of the underwriter, as a means of instruction and suggestion, is mightier far than the sword of the slashing journalist who girds at insurance because at the moment he has no easier foe.

If, then, I were to seriously set myself about preparing such a paper as your courteous invitation indicated, something of this line of thought would necessarily have projected itself into the essay, whatever else might have contributed to its length. But, I doubt if the rubbing of salt into the old sore caused by the attritions of insurance men and newspaper men would have tended to edification, had I taken up that branch of the subject. So, regretting my compulsory short coming, as to the paper I promised, and offering this poor privileged communication in its stead, let me express the sincerest wishes for the success of your gathering and for the future welfare and usefulness of your association, while subscribing myself,

Yours in a common cause,

FRANK W. BALLARD.

The President—Gentlemen, you have heard read the paper of Mr. Ballard. He is not a member of this Association, but was nevertheless good enough, although his time was already over-taxed, to comply with our request, and we are very thankful to him for having done so.

On motion, it was voted that the thanks of the Association be tendered to Mr. Ballard for his very interesting paper.

The President : We have with us an attorney of this city, who has had occasion to give his especial attention to the law as bearing upon insurance questions, and who has kindly consented to give us some of the results of his observations. I have the pleasure of introducing Mr. Lloyd Baldwin, who will ask you to view

### UNDERWRITING FROM A LEGAL STANDPOINT.

E. W. CARPENTER, Esq.:

DEAR SIR—I gladly accepted your invitation to present a paper at the annual meeting of the Fire Underwriters' Association, looking at your business from a legal standpoint, but find myself not a little embarrassed in carrying out my engagement. As a general proposition the most agreeable thing a man can do for another is to abuse his enemies; but, as insurers seem to need no aid in that art, I have determined to vary the programme by considering rather how it happens that you have enemies at all, in order that if possible you may devise some method of disarming them.

It is a familiar doctrine of the law of negligence that if one claiming to have suffered injuries by the wrongful act of another, has himself been guilty of negligence, so that his own fault contributed to the injury, then he can have no redress. If we may be allowed to extend the analogies of this principle to the relations between insurers and the insuring public, may we not find some small fault in the former, which has contributed to the hostility whereof they complain? If so, it would be the part of wisdom to correct that fault.

Insurance is a contract of indemnity. Familiar as the phrase is, particularly to insurers, it may yet be wise to recur to it as the starting point of the few thoughts, or rather reflections, which I purpose making, for it is not possible at this day to bring forward anything new upon the subject. These two words contain in themselves everything requisite for the protection of all parties. It would not be an extravagant statement to say they contain the whole law.

Contract implies absolute good faith in the contracting parties, excludes fraudulent concealment of extra hazards and of other insurance, over-valuation and wager policies; while indemnity means to make good the actual loss.

So long as these principles are preserved there will be nothing about which either insurer or insured ought to complain. The whole business could be conducted with little friction, and the legal fraternity might be eliminated from the equation. There would be nothing to break the monotonous routine of honest losses and prompt payment; and how intolerably dull the life of the underwriter would be under such a régime I leave you to conjecture.

It is, then, a departure from the simplicity of the above definition which leads us forth into the limitless waste of controversy.

More than half a century ago Chancellor Kent summed up the result of the darker view as follows:

"It has been made a question by some persons whether the negligence and frauds which the insurance of property from fire has led to, did not counter-balance all the advantages and relief which such insurances have afforded in cases of extreme distress."

It is said that the recorded losses in the United States for the last year amount to about \$100,000,000.

What the amount would have been if all this property had been at the risk of the owners, can only be a matter of conjecture.

I apprehend, however, that you are convinced the losses would have been less by millions if the true principles of good faith and indemnity only, had been carried out.

If the above estimate of destruction by fire be correct, or any where near correct, it is sufficient to convince you, not only of the vastness of your interests, but also of the possible weight of your responsibilities. Do you by any action or non-action add fuel to the fire? Do you ever pay losses that you are convinced are fraudulent purely out of policy? Do you ever issue policies of insurance upon property the value and conditions of which you know nothing about? Do you entrust the important duty of taking risks to agents whose income depends upon the amount of business they get for you?

Fraud lurks in over-insurance. It is at the bottom of most dishonest losses

by fire. A leading maxim of the law is that a man ought never to be placed in a position where interest and duty clash. Experience has shown that in such a contest duty is very likely to go to the wall. And yet the agent whose income hangs upon the amount of insurance he can secure, is in principle placed in that identical position. The larger the policy the greater the profit; and he suffers no part of the loss whatever it may be.

But you say this method of establishing agencies is indispensable. Concede it, and yet if you find here an enemy do not ignore the fact that he is in your own camp, and that you alone are responsible for the mischief he causes you.

Now, underwriters, in order to protect themselves against the various consequences which may follow from injudicious risks, and particularly to guard themselves against anything that might be said by the agent in the course of the negotiation, as an inducement to the insured to take the policy, have prepared and caused to be printed upon every policy an elaborate system of conditions and checks, the purport of which always is that for any deviation from those conditions the insured is wholly responsible and the insurer is wholly absolved from all liability under the contract. I think I do but fairly state the general result of the conditions, which will be found printed upon some part of the average policy of insurance. And this brings you into conflict with a large hostile element, belonging to the general insuring public. Recollect we are speaking only of that portion of your business which has to be conducted against the current, or under a departure from correct principles. The great bulk of it, as I assume, is done under the conditions first herein mentioned.

The only matter with which we are now concerned is the over-reaching tendency of men. And you are by no means justified in supposing that you have a monopoly of vice to contend against in your particular department of human affairs, or that the insuring public is any other than, or different from, the general mass of the people. The same tendencies crop out in all the business relations of men.

Business, in its common practical application, means to get all the money you can and give just as near nothing for it as possible. This idea is announced and openly acknowledged in the significant popular phrase, "business is business."

If, then, an unlucky wight—with a small stock of goods, a big policy of insurance and a falling market—finds it for his interest to sell out to the underwriters, wherein does his offense differ from the every-day dishonesty of the times? Resolving substances into their original elements by combustion is not of itself a crime. The offense consists in the purpose sought to be accomplished; in other words, in the interest; and here even we can refer this monster vice to our former definition of business—it is but securing what belongs to another without giving anything for it.

Herbert Spencer said there would be no true morals in trade until the bank director who consented to an exaggerated report for the purpose of inflating the market value of his stock, was punished in the same manner as the petty thief who stole a loaf of bread. But we shall hardly be able to reform humanity, though it is said "vice trembles when lawyers are the preachers."

It will be wiser to consider, rather, how we can best deal with men as they are.

The last and most formidable enemy of the insurer, strange to say, is that great bulwark of Saxon liberty, the jury, "The glory of the English law," says Blackstone, "which has, under Providence, secured the just liberties of the nation for a long succession of ages." We must concede that, as a general rule, the jury wholly ignore the printed conditions upon which insurers rely, and it might almost be laid down as a rule of practical application that such conditions are wholly without force. Certainly, if the jury chanced to regard a printed condition as unreasonable they would ignore it entirely. About the only questions they seem to care about are, What amount of risk did the insurance company take upon the property? Was the stipulated premium for that amount paid, and has the property been burned up? Now, it must not be forgotten that the insured does not sign the policy, and therefore it is not technically his contract.

Common carriers are subjected to the same difficulty. They not unfrequently have elaborate conditions posted up in the office where the goods are received or where the passengers buy their tickets, and courts have gone so far as to hold that a man who is seen standing before the placard, looking at it, does not necessarily know its contents. Courts are no more inclined than juries to enforce stipulations merely because they are found in printed conditions, and for the reason that they are not agreements to which the insured has become a party. Any condition which is not in consonance with the general law of insurance will not be enforced by the court merely because it chances to be printed upon the policy. The convenient method of avoiding the consequences resulting from a neglect to inquire into the nature of the risk before taking it is, thus frowned upon by the courts as well as juries. And this is referred to the general maxim of the law governing all contracts: that a party shall be held to know whatever he could learn by the use of reasonable diligence. This principle is well understood by underwriters, for every one knows if the application be filled out by the agent of the insurer it practically ceases to be a warranty binding the insured. In such cases affirmative testimony is required that the insured understood and assented to the statement.

Now, in view of the strong tendency of courts to hold insurers to the duty of making investigation for themselves before issuing a policy upon property, it would seem to follow that increased care in the surveying department would do more than anything else to remove this subject of contention and to bring the relations of insurer and insured into harmony. If an application be made for an amount of insurance which is greater than the property ought to bear, reject it. Remove the temptation to commit this class of fraud. Possibly there may be an intimate relation between over-insurance and such phenomena as defective flues and spontaneous combustion.

The most serious objection to successfully carrying out this method arises out of competition in your business. If one agent refuses to grant all the applicant requires, another may be found who will allow it, and the former

loses the business; and right here I find a vice which causes more disaster to underwriters than all the unjust verdicts of juries.

Finally, underwriters strive to base their contract upon a statement to be made by the insured, which shall be an absolute warranty; juries demand that the insurer shall determine what risk he is willing to take before entering into the contract. Underwriters desire to avoid all the burdensome consequences of the general law of agency; juries insist that if the agent have authority to receive the consideration, he shall also be authorized to state the terms of the contract.

Repeated verdicts the same way practically establish what the law is; and since, by our constitutions, the right of trial by jury is secured to all and shall remain inviolate forever; you have no alternative but to submit to the inevitable, and shape your business methods accordingly.

Do not understand me as suggesting an abandonment of any of your customary precautions. I mean no such thing. Only do not *rely* upon them too implicitly. "These ought ye to do, but not to leave the others undone."

FEBRUARY 20th, 1884.

Very respectfully,

LLOYD BALDWIN.

Mr. Geo. D. Dornin—I believe I echo the sentiment of each member of the Association when I move that a most cordial vote of thanks be tendered to Mr. Baldwin for his very excellent paper, which is of great interest to us all.

The motion was unanimously carried.

The President—We shall now be pleased to hear what Mr. L. B. Edwards has to report from the Committee on "Legislation and Taxation."

Mr. L. B. Edwards—Mr. President, I have been for some time on a visit to the East in behalf of my company, and had expected to get back about the 1st of January, and devote a month or so in preparing a paper on the subject of Legislation and Taxation that would be a credit to the Committee. But, Mr. President, I did not return until last Sunday, and I had expected that some other member of the Committee had prepared something to read before you; but coming over to the city on Monday, I learned from your President that nothing had been done. So I sat down yesterday morning and began scratching away and scribbling, and as a result I have some words thrown together which deal not specifically, but rather in generalities. I have not had the

time to elaborate and cut down and smooth out, and shall have to read it to you as I first wrote it.

## MR. EDWARD'S PAPER ON LEGISLATION AND TAXATION.

MR. PRESIDENT AND GENTLEMEN OF THE UNDERWRITERS' ASSOCIATION OF THE PACIFIC—It is with unfeigned diffidence that your Committee approach the subject of Legislation and Taxation, for it pre-eminently deserves original thought and vigorous treatment. It is a difficult task, requiring careful research, to simply gather information of the countless forms in which hostile legislation has manifested itself in oppressive laws and burdensome taxation; and to offer a remedy for these crying evils, therefore, might well earn for us the charge of presumption.

Your President, when he selected me as Chairman of this Committee, probably had in mind an old adage which declares in substance that "the less knowledge a man has of a subject the more ready he is to talk about it, and dilate upon it." In this respect I shall not disappoint him, if I do you.

Ordinarily, it is an easy matter for the physician to apply the remedy when he can make a correct diagnosis of the disease, but with the "sick man" with whom we have to deal it is altogether different. We can diagnosticate his disease without effort, but the insurance pharmacopœia contains no remedy for his complaint. He has received the best of professional services, aided by that wisdom which comes of a multitude of counsel, but the cure which shall heal his disorder still defies the learning and experience of the wisest of our profession.

Much has been written about the abuses of legislation, about excessive and unjust taxation, and about the evils of State supervision, yet we are to-day as far from a practical solution of the problem as ever. Underwriters of long experience and our ablest insurance journalists have hurled broadside after broadside of figures and facts and good logic, but, so far as the visible practical effect of their labors is concerned, all their ammunition might as well have been directed against the moon, just as this paper might, also. They have long commanded the mountain to come unto Mohammed, with even greater faith. It is now time to put illusions aside and go to the mountain. If anything is to be accomplished in this century, it is time to organize our vast army, and appoint our Generals and thoroughly digest our plans. But here a difficulty suggests itself: each of us wants to be a General, or at least a Colonel, and no one appears to be willing to don the humble stripes of the Corporal, or buckle on the knapsack of a mere private. We need a Napoleon for a leader—a man whose superior ability will wring from us a wholesome admission of our inability to successfully cope with the enemy, and check that ignoble strife which vanity begets. We want a unity of followers and not of leaders. We want a Moses, and only one Moses, to lead us out of the wilderness.

Another great obstacle in the way of reform in legislation and taxation lies

in the apparent inability of our leading underwriters to recognize the fact that *their* companies are not the only ones interested. They need to realize that the insurance world is a broad one, extending far beyond the confines of their sanctums. The insurance world does not revolve around their particular hub, although their schemes and their petitions to our legislative bodies indicate their faith that it does so revolve. These leading underwriters, whom I now place in the pillory, go to our legislatures and ask the adoption of measures to increase the capitals of companies of other States, or prevent the publication of subscribed capital and of assets invested in foreign countries; and the fact of individual liabilities of shareholders. They urge the levying of a tax or license upon companies of other States and countries. They solicit the adoption of other measures equally designed to drive out and keep out insurance capital, in order that a favored few may reap a rich harvest at the expense of the insured. In other words, they design to conduct the business upon the principle of "stand and deliver." Underwriters of this class are responsible for a large share of that legislative indifference or actual hostility with which the legitimate interests of insurance have to contend. If they would crawl out of their little hide-bound world and broaden the girth of their sympathies so as to embrace the business at large, undivided counsels and the unity of action so essential would be possible.

The effort to secure special enactments in behalf of a few companies is not alone responsible for unfriendly legislation and its quasi indorsement by public sentiment. The insured is too frequently regarded as a sort of legitimate prey of the underwriter. Technical advantages are too often taken of unquestionably honest losses. Contracts which should fairly represent all parties interested therein are often so worded as to leave the insured no foundation upon which to stand if the company decides to take advantage of any of the many conditions of its policies.

We submit that it is not surprising that insurance interests are afflicted with valued policy laws without restrictions, with taxes on premiums, with heavy license fees, with costly and annoying State supervision, with obnoxious deposit laws, and with a greedy lobby. We are beyond the pale of public sympathy, and it is largely our own fault.

Insurance has its legitimate burdens to bear. Reduced to a minimum these burdens are heavy enough, but when there are added excessive taxation and oppressive governmental supervision, a very large proportion of the premiums paid by the insurer—a proportion which would otherwise remain in his pockets—is necessarily consumed before it reaches the treasury of the company. Capital invested in insurance demands and will receive fair remuneration for the risk it assumes. If the laws fail to throw around it that protection to which it is entitled, and lay upon it needless and unfair burdens, the capital thus invested must protect itself, and somebody must pay for that protection, and that somebody is the insured. He must pay for unnecessary and inefficient State supervision; he must pay the extra taxes and extortionate license fees, and the innumerable petty exactions of State, county and town governments. The insured should therefore be the useful ally of the com-

panies, and welcome and second every effort to relieve the business of whatever unjustly oppresses it.

It is with the evils of State supervision that we more particularly desire to deal. We need not rehearse here its various objectionable features. It is an old threadbare tale of annoying rulings, heavy fees, official ignorance and occasional abuse of authority. State supervision cost the insurance companies in 1883 in round numbers about \$2,350,000, in addition to taxes on assets, and general and local license exactions.

The substitution of national for State supervision has been long discussed, and halfway dismissed as impracticable; yet it is the only remedy, and being confessedly such it deserves careful thought and continued effort for its application. The question of the powers of the general government to regulate inter-State commerce is involved in the proposed change, and will provoke the opposition of that political element which opposes any enlargement of the powers of the national government. It is, they will say, a step towards centralization, and will take from the States a right vested in them by the organic laws of our country. There is hope, however, that a precedent will soon be established, which will lead the way to an easy substitution of the nation for the State in the supervision of insurance. Only a question of great and unusual importance to the whole people will suffice to overcome the scruples of this opposition and break down the barriers of an unreasoning prejudice, and that question is now under discussion by our National Legislature.

The railroad interests of the United States have become so powerful that all will soon be willing to delegate to the general government authority to regulate and control them, State supervision having proved to be notoriously inadequate to accomplish it. It is proposed to establish a National Commission or Bureau which shall have control of the entire railroad interests of the country. Should this Bureau be established, the rights or power of the general government to regulate inter-State commerce will be established, and a National Bureau of Insurance would be an easy step from a National Bureau of Railway Traffic. We think, therefore, that the interests of insurance will be indirectly but effectively served by the national regulation of inter-State commerce, and that it is the duty of underwriters to foster the sentiment favoring such regulation as the only practical escape from the manifold evils of State supervision.

The President—It is not improbable that all of you have, in interviewing agents or property owners, been now and then startled by statements with reference to methods and practices adopted by other companies, and have, after worrying over the matter some time, accidentally discovered that the ideas of your would-be instructors have been derived from the marine branch of underwriting. This being the case, I have thought that all would be glad to be briefly informed with reference to some of the points of difference between fire and marine underwriting.

Mr. W. J. Dutton has kindly consented to enlighten us, and has grouped his information under the symbolic title—

### SPARKS AND SPRAY.

A fitting title for a treatise upon a subject which, if treated in brief, must be but superficially dealt with. For, as one seeing a conflagration, will mark with awe the lurid glare and heaven-reaching sparks, or when watching an angry sea, spurred by the tempest, beat the rocky shore, will most observe the foamy crest and high leaping spray—unimportant trifles, each physically—not factors, but results only, of the mighty struggles of the heaving masses beneath,—so, if I would not weary you, my essay must restrict itself to a comparison of some of the customs and effects, which, while surrounding the sciences of fire and marine underwriting, are not generic principles, but only the results sequent to the application of those principles which underlie the structure of underwriting.

As different as sparks and spray, so are the customs of fire and marine underwriting, and, although often associated in one office, they differ from one another in their peculiarities almost as much as does life insurance from either of them.

The State of New York takes legal cognizance of this difference, its laws prohibiting the incorporation or admission of any company to do a joint fire and marine business.

These differences commence with the application and continue through every step of the transaction up to its expiration or the adjustment and payment of the loss. Lest, therefore, in dealing with a subject as fruitful of material as a crooked loss claimant is of expedients, I should omit the more important and waste all my time and yours dealing with the trivial, I will e'en, like the proposed selection of the Portland Compact committee, dodge responsibility by treating the subject categorically, and thus by following a chronological alphabet throw all the blame of omission or commission on old Cadmus who can smile serenely down the ages upon all hostile criticism.

As regards birth, the honor of antiquity belongs to marine underwriting, which also boasts a royal parentage, having been contrived by the Roman Emperor, Claudius I, A. D. 43, while fire underwriting, as a restorer both of financial health and domestic happiness, appropriately claims to be a physician's prescription, the reputed father of the profession being a Doctor Barton, who, in 1667—the year following the great London fire—originated the plan of insuring against loss or damage of houses or goods by fire.

Both Chicago and Boston forcibly demonstrated the fact that no physician's prescription is infallible, whilst the constant procession of weakening and collapsing companies plainly shows the prime necessity, for the protection of the legitimate in our own profession, of that twin brother of the medical quackery law—the Insurance Commissioner provision.

The exciting cause to which may be traced most of the differences in law and

custom between fire and marine underwriting is, that in the one the contract relates to local, and in the other, to international trade and conditions. The one treats of solid facts and definite surroundings, expressed by a contract which, when once issued, can only be influenced as regards actual hazard, by certain known physical and moral changes for which due provision is therein made, while the liabilities under the other are as fickle as the winds and the waves upon which they depend, and liable to the changing influences of various outside conditions over which underwriters can have no control.

The fire insurance contract deals with a practically fixed and continuing quality, and its application therefore demands "WHAT IS IT?" To this end it dives into the bowels of the dark closet and remorselessly drags to light the family skeleton. "Were you ever burned out?" it asks; "if so, how, when and where? Do you own your building? Is it paid for? Do you own or lease the land on which it stands? Do you ornament your property with that popular article with a French name—a mortgage? How and to what purpose do you prosecute your business? How do you keep your books? How often do you take stock?" It inquires how much insurance you now hold, and requires you to advise your underwriters and obtain their permission before increasing it. It learns what you use for lights, and makes you promise that the Grecian Princess who passes the cold meats over the back fence shall trim the lamps by daylight only. It is more inquisitorial than the Inquisition, for while a good round lie and abjuration of faith would help the victim before the latter, the same course with the former will only invite disaster and ruin.

The general opinion seems to be that if you are in doubt as to when Bennie had the measles or Tommie cut his second teeth, if you don't find the desired item in that encyclopædiæ of all information, your long form application, it will be through an oversight of your underwriter, and would have been there had it occurred to him when preparing his form. But if the agents only realized half as fully as does the practical underwriter or adjuster, how necessary—how *indispensable*, in fact, is this inquisitiveness to the protection of conservative underwriting, and if they would only take half the interest in *obtaining* answers that many do in *evading* them, the percentage of loss upon country business would be very materially reduced.

The marine contract, dealing with an uncertain and changeable quality, cannot demand the present condition of the risk, for it may be already totally lost and without relieving underwriters. Neither can it require a warranty regarding future condition, for this can neither be foretold by the insured nor forecast by the insurer. The application, therefore, merely recites such special provision as may have been agreed upon, and depends upon the general provisions of the policy and the legal implied warranty of sea-worthiness for equitable protection against any unreasonable developments.

It is unfortunate that both our fire and marine policies should be burdened with so many conditions and agreements, as they prejudice the insured, make it well nigh impossible for an underwriter to win a case before a jury, and have even influenced judicial misconstruction which has in turn necessitated the introduction of further provisions. They are, however, rendered neces-

sary by the lack of conformity of the customs of different locations and the prevailing ignorance, even among intelligent people, as to the relative responsibilities of insured and insurer, and might be remedied by the adoption of a uniform policy—or better, a policy adopted by Congress as a national measure of the liabilities of underwriters, many of the clauses of which, after receiving repeated judicial interpretation, could be shortened or merely referred to in a few words, or when only explanatory, dropped altogether, and the policy thus made far less cumbersome and more satisfactory to all concerned.

In the early days of insurance in San Francisco, one of our then prominent lumber dealers, a stammerer, and a stockholder in the old Merchants' Mutual Marine Insurance Company, upon receiving his first policy braced his back against the counter, and after deliberately wading through the entire document, turned to the Secretary and said: "B-b-by the first half of this p-p-policy I'm ins-s-sured, but b-b-by the b-b-balance, *d-d-darned* if I am."

He was more liberal than the other customer who complained that for every ten words the company used to tell him that he was insured, it immediately employed twenty to take it back.

The principal protection for a marine underwriter is the implied warranty of sea-worthiness which the law provides that every insured shall be understood to assume in making an insurance. This is a general warranty that, at the time of the inception of the risk and at the commencement of every voyage thereafter, the vessel shall be not only capable herself, and properly laden, but provided as well with all necessary appliances for the prosecution of her intended voyage.

While the law will of course make liberal allowances to the assured in passing upon sea-worthiness, many items are included in this requirement which would surprise one not familiar with maritime law. For instance, in one case, where a vessel was in every respect properly built, manned and equipped, but, owing to a single article omitted from the medicine chest, most of the crew were prostrated by a disease reasonably to be anticipated and easily to be provided against, and owing to her being thus short-handed she met with disaster, the court relieved underwriters from liability upon the ground that the insured had failed to fulfill his implied warranty of sea-worthiness.

If, through any change of occupancy or surroundings, a fire underwriter becomes dissatisfied with a risk, he can immediately cancel the policy. This is not allowable in marine insurance, for in such case an underwriter might cancel upon the approach of stormy weather, or whenever a vessel was heard from in a crippled condition, or the insured might carry his insurance during winter and cancel it when summer came, and thus either might secure an advantage not intended by a contract which contemplates striking an average of the good and bad.

The same equity which denies the right to cancel except by mutual consent, also provides that if a vessel is on a passage at the expiration of the policy, the underwriter must, if so desired, continue the policy until she reaches the

next safe port, thus giving the insured due opportunity to effect other insurance if so disposed.

Liability under a fire policy is limited to the actual loss or damage by fire or water, or by the removal of goods in case of fire, while under a marine policy, underwriters are frequently called upon to pay heavy claims while the articles insured are entirely uninjured. Thus, if a vessel's masts are cut away, cargo is assessed to help pay for new ones, while if cargo is jettisoned vessel and freight money have each to help reimburse the owner for its value.

If a vessel puts into a port of distress to repair damages received on the voyage, the custom of her port of destination will govern the adjustment of the loss, and it may make thousands of dollars difference to underwriters whether she be bound to an American, English or French port; while if destined to some other port (as Shanghai, for instance), the flag of the vessel will decide the form of adjustment.

To illustrate these differences, let us assume that A obtains fire insurance for one year upon his first class brick building. The risk is inspected and policy issued stating location and occupancy, and providing on pain of avoidance, that in case of any material increase of hazard, the company must be advised and additional premium paid therefor. A fire occurs—not, however, reflecting upon the assured—the amount of damage is agreed upon and paid, the sum being deducted from the face of the policy. If the insured proposes to use the building for any purpose not satisfactory to the insurer, or if any circumstance makes the risk seem undesirable to him, he at once cancels his policy.

B insures his first class vessel—also for one year. The policy is made to attach from some date when she was known to have been lying in safety in some distant harbor, too far away for a personal survey, but the records show her to be in good condition, and she has heretofore been engaged in a steady and safe trade. Soon this trade droops, and her owner, casting about for profitable employment, accepts a charter to some peculiarly hazardous place, or loads her with a dangerous cargo, or one which she is illy adapted for carrying.

The underwriter would gladly be relieved of the risk, but a marine policy is not subject to cancellation except by mutual consent, and the owner declines to cancel. Times are dull, and, to provide all the freight money possible, she is loaded with every pound she can carry without being actually unseaworthy from overloading, and is furnished with but a meagre outfit.

If she meets no unusual weather, she may go and return in safety; if otherwise, she will find her way into some port of distress, leaking, and with, perhaps, part of her cargo jettisoned, and where she will repair and refit at heavy expense. If the place is accessible, and her owner a man of means, funds for the payment of her expenses may be provided at moderate cost, but if at an out-of-the-way port, or if her owner is not in a position to advance the necessary funds, the captain may be compelled to borrow from some local Shylock, paying a maritime interest of 25 or 50 per cent., or perhaps even more, and giving a mortgage upon the vessel, freight and cargo as security for the repayment of principal and interest upon arrival of vessel at port of destination. In

due course she arrives and the loss is adjusted. Certain losses and expenses, including the cost of funds for such items, are apportioned in general average upon all interests jointly in proportion to value. The mode of this apportionment, as before stated, will depend upon the laws and customs of her port of destination, each nation having its own peculiar ideas, and with which an adjuster is presumed to be familiar. Besides these general average expenses, the underwriter must now pay in particular average his proportion of the expenses of repairs of such damages as are not general average, and which, with the general average claim may be found to exceed the face of the policy, which in such case is not the measure of his total liability.

After now having paid more than 100 per cent. upon his policy, one would naturally suppose that it would be taken up, and possibly that an additional premium might be charged upon the excess of the payment over the face of the policy, but not so; the contract is for one year, and the underwriter is still liable for the full sum insured, undiminished by any amounts paid thereunder.

I well remember the first partial loss paid by my own company, under a marine policy, and how our then Secretary (Mr. Bond) scouted the notion of continued liability for the full amount of the policy, and insisted upon indorsing—yes, and *did* indorse—upon it a reduction in amount, claiming that, if all the marine underwriters in the country assured him that he was wrong, it would not alter his opinion. I also recall the case of one of our most genial fellow-underwriters who, when paying his first marine loss, insisted on reducing the policy by the amount paid, and who, when at last convinced that a fire underwriter had no rights which a marine customer was bound to respect, threw down his pen in disgust and vowed he would have nothing to do with a business where a man had to pay the same loss a half a dozen times for one premium. He reconsidered his hasty resolution, however, and has since had lots of opportunities to learn all about how marine losses are paid, until he can now draw his check for double the face of his policy with as much *sang froid* as “any Roman of them all.”

After the foregoing, you will perhaps be prepared to learn that in Europe and the Eastern States it is a common custom for underwriters, in addition to the above, to accept further liability up to the face of the policy for any sums which an insured vessel may be compelled to pay for loss or damage to any other vessel, if caused by collision of the vessel insured with such other vessel.

As an offset to the foregoing example of ultra liberality, I will cite some instances where the marine custom is less liberal, though, in my opinion, more just than is the custom in fire underwriting. In case of a fire loss, the agency causing the damage is easily distinguishable, and the custom is to pay any claim for fire damage, no matter how small. Under a marine policy, the claim being for unusual damages sustained by reason of ordinary perils, which may be reasonably expected to cause moderate damage, the amount of damage is required to be considerable before underwriters become liable. It is, therefore, the custom to provide in the policy that no claim shall be made un-

less the loss or damage reaches a certain percentage of the whole value of the article insured. Of course an agreement of this nature offers a temptation to the insured to exaggerate every small damage, lest it should fall short of a claim. From this has arisen many quarrels, and, as a result, different ways have been adopted by different nations for avoiding them.

Under the English rule underwriters accept liability for damages only in case of stranding, sinking or burning, or collision.

Under the French custom underwriters are liable only for the excess of damage received over the percentage expressed in the policy. Thus, if an article be insured free from damage, unless exceeding 15 per cent., and the damage amounts to 16 per cent., the underwriter pays 1 per cent. of loss.

Under the New York rule, no damage whatever is covered unless it is expressly stated in the policy; an ordinary free of particular average policy covering actual total loss only. It has, however, grown there to be the almost uniform custom to insure covering some specially mentioned rate of average. At San Francisco the ordinary form of policy covers loss or damage if amounting to 50 per cent. or more. The above applies to insurance of cargo, it being the uniform custom everywhere to insure hulls against average, the percentage ranging from 3 per cent. to 10 per cent., according to location and character of vessel.

Given the amount of damages, and if it does not exceed the face of the policy a fire underwriter draws his check for the whole without regard to the value of the object insured. Not so, however, in marine underwriting, which requires an insured to bear his share of the loss upon his uninsured interest, the underwriter paying in the proportion that the amount of his policy bears to the total value of the whole shipment insured. Thus, under a fire policy covering \$10,000, upon an invoice of goods worth \$15,000, in case of a \$9,000 loss, all would be paid by the underwriter, while with the same conditions, under a marine policy, but \$6,000 would be paid. The crudity of the fire contract in this regard is clearly illustrated by a comparison of the result of two fires, both occurring in this city within the last few years. One, a prominent down town house, carrying a stock of about \$575,000 and insurance \$250,000. The loss was adjusted and settled at \$225,000. Total salvage \$350,000, of which there was salvage to owners \$325,000, salvage to underwriters \$25,000, or in proportion of 13 to 1. The other, a prominent up-town store carrying a stock of about \$350,000, and insurance of \$250,000. Loss adjusted and settled at \$197,000. Total salvage \$153,000, salvage to owners \$100,000, salvage to underwriters \$53,000, or not quite 2 to 1.

The Fire Underwriters, at heavy expense, maintain the Fire Patrol system, to whose efficient services is largely due the securing of salvages, such as the above, and yet while constantly adding to the expense and enlarging the efficiency of the patrol, no provision is made in the contract guaranteeing to underwriters their due proportion of the fruits of this service. That the community generally recognize the value of this salvage corps is evidenced by the instances familiar to us all, where its known efficiency has caused mer-

chants to reduce their insurance, and the many cases where a reduction of premium has been demanded on its account.

The equity of this marine custom, is, indeed, often recognized by fire underwriters, by their insertion of the average clause when insuring goods in warehouse, and, if the same principle were extended to buildings and merchandise in stores, it would surely result in a large increase in premium, without any corresponding increase in losses.

While this present fire custom suggests more off-handed liberality than does the greater exactness which characterizes the marine custom—and possesses the merit of being easier, as well—to a careful observer it is painfully suggestive of a prodigality which begets bankruptcy, in a business, which when boiled down to net results, shows but about five or six cents on the dollar of net premiums remaining to underwriters, after payment of losses and expenses on the entire business in the United States for the past five years.

If this question was made one of the subjects for discussion by this Association, I think it would be found not difficult to insert an average clause in our fire insurance contract, and thereby increase both its efficiency and equity.

One important difference between fire and marine underwriting in the acceptance of damage, should not escape notice. Given a fire rate upon the contents of a warehouse—flour, earthenware, pianos, cutlery, mustard seed, pig-iron, mirrors, all command the same rate, and in case of a partial destruction of the premises by fire, presuming all to be alike exposed to heat and wet, but not seriously burned, some articles will be found ruined and others only slightly damaged, and yet all alike receive reimbursement for all loss sustained. This weights a non-hazardous article with an excessive rate in order to make the underwriter whole upon the greater hazard which he assumes upon the articles more susceptible of damage. As the fire insurance business is conducted this cannot well be otherwise, for no agent and but few underwriters could be educated to the maintenance of a tariff grading both external and inherent hazard.

In marine insurance, however, this is accomplished, the underwriter having a basis rate for the total loss risk for the voyage, thus placing upon a common basis all articles for the same vessel and voyage, and then increasing the rate for assuming the risk of damage, in proportion to the inherent virtue or vice of the article insured. Thus while the risk for partial loss upon flour, woolen goods, case goods and other similarly non-hazardous articles will be assumed for a slight advance over total loss rate, articles subject to rust are charged much more, while tobacco in the leaf is well nigh uninsurable against any low rate of damage.

Again, if a fire occurs in a warehouse and is extinguished, any articles saved undamaged escape any claim for damage received by any other of the goods, while in case of a fire on shipboard being extinguished, all damage done in extinguishing the fire to any articles not actually on fire, must be made good

to the owners of such goods, by an assessment upon all articles saved, and to which the ship and freight money must also contribute.

The actual cost of replacing with new any part of a damaged building is the measure of loss under a fire policy, less such allowance for depreciation as can be peacefully agreed upon.

In treating a vessel under average, a careful survey is first held, to ascertain what repairs are properly chargeable to underwriters and what to owners, or to general average; repairs are made usually under supervision of a surveyor appointed by underwriters, and the bills are then passed over to a professional adjuster, who proceeds to apportion them according to law and custom, charging to owners; 1st, all betterments; 2d, all charges which they would naturally have been called upon to pay had no disaster occurred; 3d, a general allowance of one-third from the bills for repair of damages received by the vessel, sails, rigging, etc., as a commutation for the average difference between new and old; 4th,  $2\frac{1}{2}$  per cent. upon the cost of coppering, and (or) calking, under the copper, for each month the copper shall have been on at time of renewal, and apportioning the balance under either or all of half a dozen or more headings, varying according to the character of the disaster, the customs of the port of destination or the terms of the policy; all columns finally narrowing down to the two items of owners and underwriters.

As may readily be seen, a marine adjustment may develop a network of complications involving one in a labyrinth of legal and mathematical puzzles, a single adjustment sometimes keeping an adjuster busily employed for several months, and when finished making a book of several hundred pages.

Each marine adjustment, besides being complicated, is full of individuality. A prominent marine underwriter recently remarked that after a constant experience of over forty years, he still scarcely ever meets an important adjustment which does not develop some peculiar feature for which he can find neither an exact counterpart in his own experience nor any accurate guidance in any of the authorities.

One of our hard headed vessel owners, who had gone through the experience of several adjustments of damages to his vessels, recently having another vessel under average, asked, "What's the good of having a whole book full of figures made that nobody can understand? Here" approaching a desk, and, with spit tipped digit, marking a line down the middle, "divide the bills even—half to me to pay, and half to you. That's what it always comes to in the end." Gentleman, he was not far from reaching the pith of matter.

Again, a fire underwriter, when he learns that a risk worth double the insurance is totally destroyed without salvage, feels satisfied that the payment of the amount of his policy will cancel all claims thereunder.

By marine law, in case of disaster, the master becomes agent for all concerned, and, by the policy, he is bound to use all reasonable and proper means for the relief of his vessel, and underwriters are bound to sustain him even in his reasonable errors of judgment, if any. If, in attempting to float a

stranded vessel, heavy expenses are incurred and finally some unexpected circumstance renders the labor futile, underwriters may have to pay, besides their total loss, all these expenses incurred in efforts to procure salvage.

The foregoing comparisons serve to illustrate some of the many differences existing between fire and marine underwriting, and I will close with a brief summary of some of the essential differences which should exist in the qualifications of the underwriter himself.

My ideal fire underwriter should be, of course, a man of good judgment and of studious habits, a good judge of human nature and of moral hazard. He should be well posted upon the different character of buildings and what will render them most capable to resist fire, he should know the relative cost of construction of buildings and the market value of the various staple articles of merchandise and their fluctuations. He should be familiar with the various kinds of lighting and heating materials and the hazard attending their use. He should be courteous, truthful and polite, firm and methodical, conservative and bold; a student of statistics, and of events as well, for events often materially modify statistics.

My ideal marine underwriter should also be, of course, a competent judge of moral hazard and human nature. He should know all about the peculiar rigs of vessels, and wherein consists the advantage or disadvantage of each. He should know the peculiarities of all the different articles of merchandise and their relative ability to withstand the various hazards of a long sea voyage. Also what means there are for the disposal of damaged goods at the various ports to which he may be asked to cover against damage. He should be intimately acquainted with the geography of the world, and the dangers surrounding the approach to all the various harbors or coasts. He should know the average length of passage from port to port all over the world. The prevalent winds—when they blow and in what direction at the various places. The seasons for storms, typhoons and hurricanes and their limits. The cost of labor and material at all places where vessels are liable to put in for repairs, the currency of the various countries and its relative value. He should read the foreign news, and note all the prominent storms reported all over the world and *remember them* for a week or a month or more. Later, he may be offered a risk upon a vessel which the applicant will well know ought to have been just about in the location of the storm at its date. He should have a library of marine law, *and read it*, and should be familiar with the maritime laws of all the various nations, and their points of difference.

In short, he should be a walking dictionary of terrestrial and celestial knowledge.

The attempts of merchants and fire underwriters to do also marine underwriting, without giving that department a tithe of their attention is, to my mind, one great reason why the business has become so unprofitable of late years, for it will take the whole of a smart man's time if he would properly supervise a marine department, and I have generally noticed that where the business did receive such undivided attention, it was fairly profitable, although

unskilled competition will always keep the business demoralized and the profits reduced to a minimum, so long as it lasts.

In short, I consider fire underwriting a profession—marine underwriting a science.

The President: The next paper is by a prominent local agent of Los Angeles, Mr. G. F. McLellan. As Mr. McLellan could not be present, I will ask Mr. C. T. Hopkins to read what he has to say about

### SOME EVILS OF THE AGENCY SYSTEM.

At the request of your President, I have undertaken to write on some of the evils connected with the relations between the local agent on one side, and the general agent and home office on the other. Fortunately for me, unfortunately for this essay, my own relations with the head offices have been so uniformly pleasant that but little feeling can enter into the discussion; my acquaintance with the subject having been derived from observation rather than experience.

The most striking peculiarity of the position of local insurance agent is, that of all the classes of employés whom memory recalls he is the only one whose basis of compensation is a constant bribe to a betrayal of the interests of his employers, and who, for a series of years, may not only increase his income, but add to his reputation by a disregard of principle. The advice said to have been given by a venerable College President to a graduating class, "Young men, get money—honestly, if possible, but get money," is less paraphrased in the spirit than in the letter of the instructions not infrequently given by a general or special agent to the newly appointed local: "Get business—good business at fair rates, if possible, but get business. The most intelligent and conservative may, and often do, have bad luck; the most foolhardy and reckless may illustrate the care which Providence takes of the weak-minded; *our* commissions depend on the premiums—the profits of the company on chance; secure the premiums, and we will trust to luck for the profits."

The first evil, then, to which your attention is called, is the demoralization which results from this spirit. No vocation is more closely connected with the vital interests of the community than is that of an insurance agent, and none, from the character required and the varied experience and the knowledge of property and of human nature called into exercise, is more worthy of being ranked among the learned professions. Those who make the appointments to its ranks should have the self-respect and *esprit de corps* to confer the honor on those only whose character and training fit them to do credit to the calling.

That this is not done in many cases, goes without saying, and men who have been found guilty of flagrant dishonesty, and have disgraced themselves

and the business, are appointed or retained as agents or solicitors; their real or supposed skill in securing business being considered more than an offset for want of character.

Besides the effect on the reputation of the profession, one evil resulting from this state of things is the distrust of local agents by the general agents. A local, bred to the business and fitted for it by character, ability and experience, should be the best judge of the physical and moral hazard of a risk; and his judgment, subject to general rules, should be the most important factor in determining whether a policy should be written and in fixing the rate of premium, but under the present system—or lack of system—of appointment, it is seldom so considered, to the serious disadvantage of all concerned.

To enable companies to draw on the best class of men for local agents, the position should be made worth having, which they cannot be if they are made the refuge of persons who fail in every thing else, and if the greed of managers for more than their share of business in every town induces them to scatter the agencies among so many that the business does not pay any of them. There are few towns on this Coast in which the business would not be done in a more satisfactory manner, the average premiums would not be higher, and the losses much fewer, if the number of agents were divided by two or even by five. Were this the case, soliciting would not be degraded to begging; competent men would manage the business, and they could afford to employ as clerks and assistants, men not qualified to control, but who would be acquiring the experience and education necessary to fit them for higher places. Of course, this reform cannot be brought about in a day, but the tendency should be towards concentration. But enough under this head.

Every agent, or almost every one, represents more than one company; and in most cases he determines to *which* of them a line shall be given. The selection is a proof of his good will that deserves recognition. Yet, too often it happens that when, after a long and difficult struggle against many competitors, he has succeeded in securing a risk that he knows to be desirable, some clerk who knows nothing of the work and trials of a local, and who never saw the property in question, is permitted to write a letter ordering a cancellation or peremptorily reducing the line. When the policy is not written in violation of rules previously made known (and sometimes even then), "or the rate is greatly inadequate," it should be approved if possible, and if necessary the line reduced by re-insurance. Cancelling a policy frequently causes great trouble and injures the business of the agent. As a rule the best interest of the company coincide with those of the competent, honest and trustworthy agent.

Perhaps the principal cause of whatever difficulties may arise between the general and the local agent, spring from the lack of practical acquaintance of the former with the work of the latter, and from the lack of specials' work in bringing the manager and the country agents more perfectly into fellowship and sympathy with each other.

The relations between the principal and the subordinate cannot be too inti-

mate, and as they can seldom visit each other, the special is the only medium of bringing them together. The visits of these gentlemen resemble those of the angelic host, not only in character, but too much in their brevity and infrequency. The economy that undertakes to spread a single special over the vast expanse of the Pacific Coast is of the "penny wise pound foolish" order.

The tendency of the general agent is to be too much under the influence of rigid, general rules; that of the local to consider each of his own cases an exceptional one. The special, particularly if he has had experience in the field, knows how to reconcile these opposing tendencies; to aid each in looking through the other's glasses, and to inspire each with confidence in the other, and to cultivate friendly relations between them.

Were those who listen to this paper asked to name those managers whose success has been most marked, a large majority of those mentioned would be the men who are best acquainted with the local agents, know most of their work and trials, and many would be those who have risen from the ranks.

A minor evil from which the local suffers is the extraordinary variation in the language of the forms adopted by the different companies. For example, of ten monthly statements made by the writer, no two bear any considerable resemblance to each other. Some of them require almost a copy of every policy. It would appear evident that the less work of a formal nature required, especially at a time in the month when agents are most busy, the better it would be for all concerned, and the less the liability to error.

Another cause of annoyance is the discrepancies between applications and daily reports; in some instances the latter requiring answers not called for by the former. By greater care in preparing blanks, trouble and confusion would be prevented.

This paper, already too long, would omit the most prolific and fatal source of evils did it avoid reference to the rapidly increasing and intolerable custom of granting credit. For this managers are in a great measure responsible. Taking its origin in a disposition to accommodate in special instances, it has grown into a common usage and influences the entire business. Indefinite trust is a frequent inducement afforded by solicitors, who know that they in turn, can count on credit. In too many cases the fatal ease with which the day of accounting can be postponed has induced weak, but not originally dishonest, agents to forget that, of the money burning their pockets, but a small per cent. belongs to themselves, and to use for their own purposes funds held in trust, and then to postpone the inevitable sequel by reporting the misappropriated premiums as uncollected. So the deficit increases, the defalcation grows; until the unwelcome special makes his dreaded appearance, the local disappears, or finds his way to the criminal cell, or is appointed a solicitor, and points another moral. The whole thing should be "reformed altogether." There should be no credit. Each month should settle for its own premiums. There is no true kindness, and no profit to the assured or the local agent, and eventually nothing but trouble and loss to the general agent and the company in swerving from sound business principles and practices.

G. F. McLELLAN.

Mr. W. L. Chalmers—As Mr. McLellan is not a member of this Association, I move that a special vote of thanks be tendered him for his paper; and, as last year his next-door neighbor, Mr. Broderick, was elected an honorary member, I think we ought to do the same by Mr. McLellan. I suggest also that the Secretary advise Mr. McLellan, by telegraph, of the action of the Association. I will include all these ideas in my motion.

The motion was unanimously carried.

The President—We have now finished with the regular papers. Col. Kinne has his Knapsack full of good things for us, and we have also to attend to the election of officers. It might be best to now adjourn until afternoon.

Mr. Geo. D. Dornin—It seems to me that there is little to do, and that the Knapsack will not take long, and we had better finish up before adjournment.

Col. C. M. Kinne—If Mr. Dornin thinks we can get through in half an hour, he had better take his haversack and fill it up with hard-tack before we go on. I know what the result would be if we were to continue now. Before I got half-way through the Knapsack, I should be talking to the winds. It will take me at least an hour to get through reading. We have our officers to elect, and possibly we may have a little discussion about some things.

I propose to say now what I intended to say this afternoon. This idea of getting valuable suggestions and then referring them to future meetings don't amount to anything. The suggestion of Mr. Dutton's regarding a general average clause in fire policies is worthy of discussion. A few years ago, I sought to have a clause adopted upon hay in barns, which would be of a general average character, providing that in case of fire, claim for loss should not exceed three-quarter or some percentage of its value at the time it was burned. The matter was referred to a committee, and that is the last we have heard of it.

I really think that a discussion this afternoon upon matters contained in the papers that have come before us would be of advantage to us as members of the Association. Coming here to

listen to papers and thinking we have done our work for the year, and then doing nothing further in the matter, seems to me a waste of time. We have derived a certain amount of valuable information but there is nothing done. Now, in regard to the Apportionment of Losses under non-concurrent policies, do you want the Sexton Rule? Do you want to adopt a rule which is three rules combined; which in many cases will give companies the same amount to pay, and therefore make equal salvage, where the loss is entirely different, varying thousands of dollars, perhaps—that companies shall pay the same amount if they have equal policies! Now, do you want to adopt a rule like that? (I don't believe you do), why then can't you say whether you do or not?

Now, is there anything in the Kinne Rule that you can't decide upon? If you want really to know more about it, or want to adopt any rule at all, you must quit listening to written debates between members, and figure on rules and discuss the merits and demerits yourselves. I am a little afraid you do not propose to do it, and therefore have a proposition to make in this matter, particularly in reference to my rule. Let it be referred to a committee or jury from this Association acting as experts, and let them take it all to pieces as you won't do it as a body. Let them show to me, and the rest of you, that I am on the wrong track, if they can. If it is so, I want to find it out as much as the rest of you.

This "general average" idea of Mr. Dutton's strikes me as something that has merit in it. I don't think these matters should be referred to other meetings, and I know of no better time than to come here at 2 o'clock for the discussion of these matters. If you don't think so, why all right.

On motion it was voted to adjourn until 2 o'clock P. M.

## AFTERNOON SESSION.

Meeting called to order at 2.05 P. M.

The President—If there are any matters to come before us prior to the reading of the “Knapsack,” it might be well to bring them up now.

Mr. F. T. Hoyt—In recognition of our indebtedness to the body of gentlemen that have placed us under obligations to them on this and other occasions, I offer a resolution thanking the Board of Underwriters of the Pacific for the use of this room, and the Underwriters’ Fire Patrol for the use of extra chairs.

The resolution was adopted.

The President—I presume the gentlemen here are all anxious that Col. Kinne should unbuckle his “Knapsack” that they may share the good things therein contained

Col. C. M. Kinne—Mr. Chairman, at this meeting, as well as in years gone by, I think members have been too anxious to get through and to postpone the day for arguments to some future occasion. I think this is a mistake. I thought last year that we made a mistake in not bringing up these different papers as read. There are a great many points brought out which we forget as the months roll by.

Mr. Tom C. Grant—My suggestion is that if there are any managers of companies who can’t spare the time to attend, let them consider that this is an association of adjusters. They certainly can afford time for their adjusters to attend, and if two days are not sufficient, let them make it three or four, if necessary. The papers read to-day are full of meat, and there is a great deal that is food for discussion, and will no doubt give us a good deal of information.

I repeat, I think we make a mistake in allowing these things to be hurried over, and I sincerely hope that they will inaugurate, at the next meeting, at any rate, the idea of bringing up each paper for discussion *as read*, and not defer it to some future occasion.

Mr. Geo. D. Dornin—At the last meeting, I think (following out this line of thought), I offered a resolution which was accepted, that the papers read at that meeting be taken up in their order at a meeting to be called for that purpose, and the points involved be discussed and final action be taken upon them.

It seems to me that the papers read at this session, without exception, have merit, and there are suggestions which might well be adopted by this Association; but if left to the discussion by so large a body as this we would probably not get beyond a single topic to-day or to-morrow, and it seems to me that the only feasible plan is to act upon them in the manner of legislative bodies—refer them to the standing committees to which they most properly belong, and then let the President call a meeting for the purpose of considering their report; and in that way we will get at the essence of these propositions.

It was my privilege to attend the session a year ago of the Association of the Northwest, in Chicago. A change in the programme had been adopted by President Cornell, and a number of topics scheduled for general discussion. This was in addition to the usual stated papers or essays, which, while of much merit, had but limited practical effect upon the methods of underwriting in the West. The new programme promised to be very interesting and instructive, but, if my memory serves me right, the discussion did not get beyond the first or second topics. The disputatious fellows—the orators—took up a good deal of precious time, and, by the close of the second day, the meeting was very thinly attended, not through lack of interest, but because of imperative calls elsewhere. Hence, I think the plan is a proper one of referring to a standing or special committee, to get at the essence of the several papers, and formulate a definite scheme for each for action by this Association.

Now, to revert to the rules proposed by Sexton and Kinne respectively. It is a question whether five members of this Association are prepared to say that they understand the merits of the controversy. If the matter is to be debated in any shape by this Association, Mr. Sexton, who has given so much attention to it, should be here to give his reasons. This matter of a rule for apportionment of losses under non-concurrent policies is not

in the nature of a caucus resolution, to be carried by a combination and put through by a majority vote. Your action here cannot have the force of a legislative action; you must formulate a rule which will have the concurrence of every member, to be of any practical value, and not made simply a matter of personal compliment or prejudice.

I believe that a motion was carried yesterday that this matter of the Kinne and Sexton Rules be laid over till some meeting to be called next month. Now, I move that this matter be referred to a committee especially appointed—a sort of jury of experts. The matter may then be brought up at the next meeting, and then we can have a general discussion afterwards. But if it is laid over for another year it will simply take the course of other things—it will amount to nothing. Mr. Dornin's motion was adopted and the following committee to whom was to be referred the rules for apportionment of loss under non-current policies was appointed by the president: Geo. D. Dornin, W. L. Chalmers, Wm. Macdonald, F. K. Rule and A. R. Gunnison.

Mr. Geo. F. Grant—In the Association of the North West they endeavor to have discussions cut and dried before-hand, and I have noticed that on one or two occasions the President has called upon one gentleman and then on another to say something. These gentlemen were thereby forced to their feet and obliged to say something. I will make the suggestion to the next President (whoever he may be), that he pursue a similar course. In preparing a paper a man spends 12 months thought in order to give a presentable speech or essay to his associates. It is only fair to him, that if he has made a positive statement that another does not agree with, that the ground of objection should be stated and an opportunity for explanation given.

We differ very much from the Association of the North West. That is composed of underwriters from all over the country. They come away from home and from their business, and they can't spend the time in discussing matters that we can here.

We are all here at home, and it is very strange if we cannot spend a week in the discussion of matters of so much interest as those presented to this Association.

We all admit that the getting together does us good. It is the only Association that brings underwriters all together, where their interests do not clash. I believe we could spend a week here, and spend it profitably.

Mr. C. T. Hopkins—I have written out a resolution which I think embodies the views of most of those present.

*Resolved*, That a special committee of five members be appointed by the chair to analyze all the papers that have been read before this annual meeting, and to deduce therefrom and formulate in practical shape, such changes in the mode of conducting the insurance business as the committee shall deem practicable. Said committee to report at a future meeting or meetings, and such portion of their work as shall be adopted by this Association to be thereupon recommended to the managers of companies for adoption in practice.

The resolution was adopted, and the President appointed Messrs C. T. Hopkins, C. D. Haven, T. C. Grant, L. B. Edwards and F. T. Hoyt such committee.

The President—We will now listen to the reading of the “Knapsack.”

### KNAPSACK.

Mr. C. Mason Kinne—Gentlemen, you all know the purpose of the Knapsack. It's the *olla podrida* of good things which fall from the overloaded table of supplies—the crumbs which we pick up with avidity when the stronger meats of the feast are fully digested. The following circular was sent to each of our members, and the result is—

VOL. V.                      THE CALIFORNIA KNAPSACK.                      No. 1.

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#### CIRCULAR.

EDITORIAL ROOMS, 422 CALIFORNIA STREET,  
SAN FRANCISCO, January 18, 1884.

DEAR SIR—The Knapsack seems to have become a permanent institution and almost a matter of necessity. This result has been brought about by the

valor displayed by those who have contributed to its contents—again proving the pen mightier than the sword. You are graciously permitted to know, however, that another engagement is impending, and The Knapsack expects every man to do his duty.

Some of you are like the old flint-lock musket; a good deal of promise, but plenty of flash-in-the-pan. We are using the needle gun now, breech-loader and central fire, and while no ammunition will be wasted, we can utilize an almost unlimited quantity. We want quick, sharp and decisive reports.

Very earnestly yours,

C. MASON KINNE, *Editor*.

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EDITORIAL.

Our exordium for the first issue of Volume V is not to be long. We have simply to say that this number is worth reading, and that is enough. The time has gone by when the editor was worried about copy; he now only has to fret about whose effusions he shall consider the least available—all of which is just as it should be, as it is a feature of our broad-gauge organization, one which has representatives of all the varied species of the *genus* insurance. So, within the protecting flap of our Knapsack, we find articles of all kinds; useful and ornamental, some emanating from those who believe in that main stay and bulwark of the profession, the Pacific Coast Board; some from representatives of the compact and energetic California Board; and others from those who belong to the free lances of the business, and float along on the troublous sea of insurance without any board at all. All have ideas and thoughts regarding matters of mutual interest, and what they cannot express in reports of committees and on the floor, find a nook in our commodious and weather-beaten Knapsack, where we file away anecdotes, suggestions, and such other supplies as seems proper.

The commanding officer who plans and manages the interminable battle of business and indemnity as a whole, can here meet his own and other field and line officers, and give his notions about how the fight may be bettered in some important detail. The officer of the day—the Special—who unexpectedly visits the outposts in mountains and valleys, and gives the well known countersign “business” to those in charge of the picket line, comes home with a personal knapsack stored with information, and here gives to all such of his experiences as he thinks may bring some good into the business. The adjuter, who quietly conveys himself as a scout into the camp of the enemy, who may have been playing havoc with the supplies which have been figuring as assets, returns and reports to his chief, and can now give to us some episode or new idea from which all may gain a point.

The divisions of the great army, all fighting in the same cause, are commanded and officered by those between whom there is a natural and proper rivalry as to who shall win the brightest laurels, but who meet here and give each other good advice, strengthen their line of battle, and harmonize non-concurrent essentials.

Thus we gather them in, and the Knapsack fulfills its part in the good work. Here you have the emanations from our brothers, who don't give their names, and who sometimes hit a blow that hurts, but never below the belt. They help us to get our second wind, and sometimes talk so much like themselves that you can put your finger on the writer and make no mistake.

And now let me say that if any one feels aggrieved because his supply of ammunition was not thought to be of the right caliber by the officer in charge, let him report to us after the meeting and holding ourselves entirely and solely responsible, will then give any and all satisfaction he may demand.

THE EDITOR.

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#### BACK TALK.

On the 20th of February, 1883, the Knapsack took advantage of its editorial position to propound a conundrum, which it did not answer, and which, like the questions we hear from the pulpit, get no reply from the audience. The question was about as follows: "What's the use" of everything done by the Association? I will answer in three words, viz: To correct abuse! Let me illustrate: Once upon a time in our city it was the practice of all specials to maintain a solemn secrecy regarding their movements; misrepresentations were made with owl-like gravity, even when the owl knew full well that the lie was transparent. Association meetings have stopped this folly.

Once upon a time it was the practice to malign and villify "the other" company, to riddle its annual statement with criticism founded on false premises, to belittle the office from President to errand boy, by cunning inuendo. This thing is stopped partly by the effort of the Knapsack.

Once adjusters put up jobs on their fellows, with the aid and consent of the assured, whereby the loss was partial, so far as the first company was concerned, and total for all who arrived later, and manufactured proofs were on hand to show it. To-day such an adjuster would be drummed out of camp.

Once specials rushed into print with sarcastic allusions to "popinjay" adjusters so thinly disguised that the "street" knew both men. No one sees the fun of such things now.

Once, a long time ago, it was thought by some that the wisdom of them, which had been gained by years and years of living in a changing world, was too dearly acquired to part with without money or without price, so they hoarded their knowledge and laughed at the plan of an association, where ideas could be exchanged freely or given away. Mark the result. The youngest special in this Association who reads and tries to think, knows better how to work his company to-day than those hoary-headed wiseacres.

When the Knapsack a year ago asked "what's the use," it intimated there *was* no use—an intimation not at all in keeping with the practice of the writer of the article. Hence I am confident the fit of indigestion has passed away, his spleen is no longer disordered. But the question lives and may encourage some "doubting Thomas" to deviate by all the skillful ways known to the craft. Ours is so much a business of honor, particularly when mutual

agreement enters in, that the appeals made annually through our papers and addresses are bound to touch to the quick. Some who have become mentally blind, are likely to follow the example of the "wondrous wise man of our town," who, when he found his eyes were out, the result of his own indiscretion, bravely exerted his might and main and thus restored his sight.

If some are tied tight while others are tied loose, it by no means follows that all should be untied, and "the use" of calmly and logically proving this is obvious.

Again, when a good man falls from grace because the worldlings are having the most fun, he falls hard, and generally injures himself fatally; he understands "the use" of an honorable position even when it is past praying for.

Now, if the Knapsack intended to convey a moral lesson by indirection, or in asking the question, if it intended by sarcasm to rouse its patrons to action, my lines may prove to be as matter of fact as the person who, in reply to the statement that "he could not see a joke if it was fired at him from the mouth of a cannon," said "How *can* you fire a joke from the mouth of a cannon?"

G.

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#### A "LODGE"-ICAL DECISION.

It was in that "vast wilderness," called Oregon, where so much good insurance coin is lost, that this particular "lodge" was located. It appended to its signature on the application "I. O. O. F.," but if "O. F." didn't succeed better in getting his pay than we did in holding the risk, he is an object for total loss condolences. Although rates, description of property and terms were satisfactory, the policy came back declined. Our agent was one of those particular friends of the company, such as all managers like to cultivate, and, moreover, one that nearly always made his policies stick; so we took unusual pains to discover the motive of the back-action movement. The agent explained that the lodge had held a meeting, or a conclave, or a goat-herding, or whatever it is called, and decided that that insignificant portion of our policy which referred to the remote possibility of a loss payment was unsatisfactory. Still, seeking more light, and not without a hope that the risk might be regained, we asked that a policy blank be sent us with a designation of the particular clause which was so distasteful.

In due time our request was complied with, and a red line was drawn under the following words: "The amount of damage shall then be determined by mutual agreement between the *adjusting* agent of the company and the assured, or failing thus to agree," by appraisement, etc. We were now more puzzled than ever, and sent up policy blanks of several other companies containing provisos almost identical with that of ours, with an inquiry as to how, under the beclouded canopy of Oregon, they expected to ever settle a loss excepting by agreement with the adjuster, or by resort to the alternative methods provided by the policy. The answer was to the effect that the committee of the lodge had decided to accept no policy which contained an "adjuster's clause." Like Bardwell Slote, when called a "dodo," they didn't know ex-

actly what it meant, but they'd "bet it was something nasty." They had bulled the oil market of their town while sitting up nights to examine the fine print of the policy, and when they struck the words "adjusting agent," that settled it.

We promptly stamped a sheet of paper with what is commonly *known* as the adjuster's clause, adding the explanation that this was probably the kind of "claws" that some of their friends had been scratched with, and against which they had been put on their guard. Having heard nothing more from the case, it is probable that the advance in the oil market of the village is still keeping pace with the extra sessions of these very odd fellows, while the latter still strain their lynx eyes (or perhaps we should say "three-links"-eyes) among the fine print of numerous policies, trying to find a document without any proviso for loss adjustment. We have thought it possible that a policy in the Builders' or California Farmers' might suit them, those companies not having had occasion to use an "adjuster's clause" for years.

The incident shows with what little reason the assured often forms a prejudice against the printed conditions of the policy. C.

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#### A COMMON SENSE PROPOSITION.

Was there but one insurance office in the United States, as there is but one railroad management in California and but one water company in San Francisco, it would of course be a monopoly, but with what ease could it systematize its business and manage the public at all points of contact. No more shaving of rates; no rebates; no credits; no unpaid-for privileges; no payment of losses known to be fraudulent, for fear of the unpopularity of resistance; no unprosecuted embezzlements of agents; no harrassing and agonizing consultations with a hydra-headed executive; no mob of claimants for support, from a class unable to give the world an equivalent for a living save through the pretense of business known as insurance brokerage.

But instead of one company, we have hundreds, competing with each other at all points and in every condition. This competition, if wholly unrestrained, means ruin in insurance, far more certainly than in any other business; for there is in this business an element of gambling which often substitutes the passion for "taking the chance" for cool reason. In no other business is the cost of merchandise unobservable until after it is sold. In no other does hope so supplant experience. In no other is judgment so overslaughed by unscrupulous activity or success measured by aggregation of liability rather than of assets. Under the condition of free competition its most reckless members must always rule, and the most prudent and experienced be soonest driven from the ranks.

Now, civilization consists in the mutual concession by each individual of some of the rights he would retain, were he not a member of society. He must no longer demand "an eye for an eye," or "a tooth for a tooth."

Is underwriting a civilized profession? Can there be no system of consolidation devised to which all shall give their undivided allegiance and which

shall wield the power for all—for the protection of all—whether against each other or against the popular surge that forever beats against it? Or are we to forever perpetuate in our ranks the savage type of life, when “Ishmael’s hand was against every man, and every man’s hand against him?”

“United we stand, divided we fall.” Can any man nowadays be such a conceited ass—such a double-distilled fool—as really to believe that he can best subserve his own interests by ignoring the similar interests of every one else, and the rights that others also have to prosecute their equal interest?

Q.

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THE WAY WE DO IN COLORADO.—“DIDN’T INSURE PROFITS.”

The figures on a loss on merchandise showed that the sales were \$40,000—profits  $33\frac{1}{3}$  per cent., giving a profit of \$10,000.

The amount of the loss as per statement, \$12,292. But the adjuster (*a Chicago man, of course,*) said to assured, “we do not insure profits, and as \$10,000 out of the \$12,292 is profit, we only owe you \$2,292;” and before the claimant could see through it, his proofs were made up and signed for \$2,292—total insurance \$10,000.

X.

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A SPECIMEN LETTER.

MR. EDITOR—I have frequently remarked that upon the confident and earnest manner that an agent places his company’s claims for patronage before the community, defends his own and company’s success in obtaining business.

It is not very often that the special runs across the private correspondence of a managing agent with his subordinate locals, but the following letter happened to get into my hands, having been written to a local agent in answer to the question: “What sort of a company is this you have given me, anyway?” and suppressing names and locations, will serve as a “specimen letter” for its bright, happy way of putting it.

“MY DEAR TOM—Your D. R. No. —, of the Fraternal of California, at hand and approved. You can go right to work in good earnest for the Fraternal, and you can take my word for it, that the more you do for them the better you will like them. That is my experience, and I have found them to be very honorable and upright in all transactions, and they pay a loss with the same smiling grace with which they receive premiums, and are well able to do it, too. All of our worthy representatives of worthy companies have a good word to say of the Fraternal, and the able way in which it is managed, and you know it deserves encouragement when sterling old companies, like the Artful, consort with and praise it.

I am afraid that that trouble-breeding old special has put a great many false ideas on the market up there, and I will have to go up in the spring and eradicate them. I will say here, that the Fraternal is not run by belly-aching old women, and that is more than that special could say of his own

company. Grateful for past remembrances, and hopeful of future promises, you may rest assured you will never regret taking the agency of the Fraternal.

Yours truly,

F."

We commend the above to all District and Territorial managers, and especially to each traveling

SPECIAL.

#### NATURAL HAIR *vs.* WEARING APPAREL.

Some few years since, a loss occurred through a curtain blowing from an open window toward the fire-place, the curtain catching fire and igniting a handsome lambrequin on the mantle-piece. The lady occupant had a valuable French clock thereon, and rushed forward to save it from destruction, regardless in her excitement, of any damage to herself. She, however, rescued the object and carried it to a safe place. In the meantime, the fire was extinguished by others, and shortly afterwards I was requested to adjust the loss. After agreeing on the damage with the lady's husband, we walked into the next room where the lady was sitting in a large easy chair, propped up with pillows, suffering from nervous excitement and scorched hands. On my expressing regret at her misfortune, she inquired if I could not allow for the singeing of her front hair, which I readily saw was damaged, but immediately asked the question "is it natural or false?" to which the lady replied, "Can you not see it is my own hair?" This being evident, I replied "Certainly madam, and I am sorry to say that we can allow nothing; had it been false, we could have considered it as wearing apparel, and recognized a claim."

Nix.

One of our most valued contributors in former years answers our call for copy, by handing us a communication which came to him in due course, and which presents some excellent ideas in terse and vigorous language. It is good, and the Knapsack thanks the writer, and also the gentleman who gives us the opportunity of *a-dorning* our columns with it. There are certain earmarks about the article, certain bluff and pungent expressions, which lead one to think that the writer is not of so retiring a nature as his *nom-de-plume* would indicate, and the Knapsack hazards the opinion that should any specials drift upon a *lee* shore in his peregrinations, he will find that he can get ideas from a live

#### LOCAL INSURANCE AGENT.

Kind reader, did it ever occur to you that the general assumption of this title, "Insurance Agent," was one of the cheekiest things in all this cheeky age. What are the qualifications, education and experience necessary to make an insurance agent? What are his duties, and what relation does he bear to the general and business community?

Insurance is one of the most complex of sciences; and the average man of business cannot possibly have but a very limited knowledge of it. He has

no time to study and no care to master any of its details. For this reason it is a fat field for the specialist and insurance sharper. All sorts of schemes are originated. Three year and five year, and mutual, and note schemes are invented in fire insurance. And assessment and mutual and fraternal plans in life insurance, by which the whole world can get a thousand dollars each, by simply paying in fifty or one hundred dollars apiece. Marriage insurance, baby insurance, and God knows what—anything that will promise something for nothing, is sure to take. When sifted down by the cold light of facts and figures, it is simply wonderful that there is any living man so infernally stupid as not to see the utter fallacy of all these schemes.

But to the question. An insurance agent should be a merchant, an accountant, a lawyer, a mechanic, a farmer, and in fact the most thoroughly accomplished general business man in his community. Why? Because he occupies by far the most responsible and important position in the community. He is called upon at a moment's notice to bind his company for thousands of dollars; and at the same moment he must know that his friend and patron will certainly get his money if the fire starts, or the fatal bullet cuts the heart strings in fifteen minutes thereafter. There are no ten men in his county whose combined bond is as good for as much money as his simple word. He can give a merchant \$20,000 insurance on a \$10,000 stock of goods, and thereby cause a conflagration that will ruin a dozen honest men. He can insure one grain field for double its value, and destroy the whole Sacramento or San Joaquin valley. And all this he is liable to do at any moment, by carelessness, ignorance, or cussedness. When we contemplate what is absolutely necessary in the way of honesty, industry and good solid sense in this man; when we consider for a moment his relative position towards his fellow citizens—towards the safety of tens of thousands of dollars' worth of property—it is simply a sorrowful sight to see John Smith, the admirable shoemaker, hang out his shingle as an insurance agent and advertise the merits of a dozen insurance companies.

As to the *duties* of an insurance agent. He should devote himself exclusively to this business. The safety of a community demand that his whole time and talents should be absorbed in this vast field. It is full of petty details, and each item is liable to vitiate the security on ten thousand dollars' worth of hard earnings. Every change, removal, transfer of title, or addition must be noted and the company firmly bound—not by word of mouth, and "Oh, yes; that's all right," but by careful, painstaking indorsement and ample notification.

Has the merchant, real estate agent, or wool and grain buyer the time to attend properly to all the petty details? The fact is that they never do. The pay is too small, when compared with their other earnings and profits, and the labor and trouble is too great. I have always held that the merchant who accepts an insurance agency had much better put an open keg of powder by the side of his office stove. It is not as liable to do him as much injury. He will insure a customer's house and barn, without seeing it, and if he did, he is not expert enough to guess within \$500 of its value. He

forgets to note that a neighbor's barn is within twenty feet of the risk, and the exposure takes fire and burns up the entire property insured, and his policy is not worth the paper it is written on. Or the great Consolidated Franco-Anglo-Americano Fire and Marine Insurance Company bursts up, and he never finds it out until six months after, when he reports a fire and demands payment. His customer is ruined or seriously crippled financially, and if he has one grain of spunk he never trades another dollar with that merchant. Mr. merchant-insurance-agent is taking the chances every day of losing more trade, custom and profit than he could possibly make out of the insurance business in ten years—aye, or a life time.

The insurance agent must read all the insurance journals and keep posted on all the court decisions, on the standing of companies, carefully noting any decrease in surplus or other falling off in business that would denote reckless or extravagant management. He must not rely on the glowing statements of financial solidity as made by the ardent special agent. He must know by his own deductions that his company is sound.

Gentle reader, look at the next sign you see with "Insurance Agent" on it, and then canvass the man in your own mind, and by the light of your own knowledge of his character and ability, and satisfy yourself fully that he is in every particular worthy of the great trust that you propose to invest him with. Is it not a clear proposition that your insurance agent must be no ordinary business man? Is it not a fact that the cause of nine-tenths of all the law-suits and litigation over fire insurance losses is owing directly to the carelessness or ignorance of the agent?

Think of these things, Oh ye property-owner; and ponder upon these deductions, Oh ye would-be "insurance agent." There's meat in it for both of ye.

RETIRED AGENT.

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#### SUCH IS FAME.

We have just found on our desk an envelope containing a card on which was pasted a clipping from some broad-columned paper, which reads as follows:

Adjusters may be able to obtain some consolation by perusing the following from a Kansas poet:

'Twill be a great comfort to many to know  
Insurance adjusters to heaven must go,  
For if a just man is bound to get there,  
Most surely adjusters no worse will fare;  
Besides, I am told it chanced one day  
An insurance adjuster to Hades did stray,  
And at once aroused the devil's ire  
By investigating the cause of the fire;  
He annoyed him so, old Satan swore  
Insurance adjusters should come there no more.

The point of our heading lies in the fact these same lines appeared as original matter in THE KNAPSACK in 1881, under the title "Consolation," and with the well-known initials D. M. B. attached; and now we find him figuring under the indefinite title of a Kansas poet. Verily, "such is fame."

## THE UBIQUITOUS SPECIAL.

A recent conversation bearing upon the persistency with which fires seem to follow special agents about, brought to my mind a rather peculiar incident in my own experience.

In September, 1874, I was quartered in the Old Chico Hotel, a rambling structure apparently built to burn, as I remarked to Ira Wetherbee, the proprietor, as we sat chatting in the shade of the broad porch.

This he denied emphatically, and taking me to the rear of the hotel, showed me where a dwelling 50 or 75 feet distant had been recently burned without communicating to the hotel, which was saved by an intervening line of trees, whose dead and blackened branches now bare of foliage, bore eloquent witness to their vicarious sacrifice. "I planted those trees," said Ira, proudly, "on purpose to provide protection against just such a contingency."

The wisdom of his foresight was apparent, and I duly acknowledged it; but pointing across the dry and dusty street to where the long side of an 80 foot two-story hay barn menaced the unprotected side and roof of the hotel. I inquired why he did not plant a similar barrier against the greater exposure which threatened him there; prophesying in an off-hand way, that the hotel would be burned from that exposure. This he characterized as an insurance man's "patent talk," saying that the street was too wide and the fire department too efficient to make such a thing possible.

I left him the next morning, jokingly reserving the privilege of saying "I told you so," when the fire came.

That night the hay barn took fire and the hotel was consumed, and the first remark made by Wetherbee when a few days later he called to collect his insurance money was, "If I hadn't seen you go off in the cars I would have sworn that you set fire to that barn just to prove your theory." This shows how, under peculiarly exasperating circumstances, the integrity of even an insurance man may be questioned.

Returning to my opening remark. After we had cited numerous instances when our specials found their presence, like a lucifer match, bound to kindle a fire in every town they visited, my friend pertinently remarked that perhaps we weren't doing justice by the fires, for, said he, "where can you find a town on the coast big enough to make a full-grown fire which doesn't have some special just visiting it all the time?" Why, way down at Los Vegas in the corner of New Mexico, when the news reached us of the burning of the Montezuma Hotel, and long before the spring crop of specials is expected, Bill Sexton bobs up serenely from among the ruins and, with pencil in hand, begins in his honest way to figure out on the back of an old envelope some memorandum which will make an insured satisfied that underwriters are entitled to a neat salvage from the ruins of a building insured for not over half its value.

Z.

## RUNNING A LOCAL BOARD IN MONTANA.

Smith, Brown & Co., bankers, represented the Grizzly Bear and the Unicorn insurance companies in a small Montana town, but the town not being

rated, the general agents at Helena carried off all the good risks at lower rates than S. B. & Co. were allowed to write at. The special of the American Eagle, seeking for food for the noble bird, called on the above firm, and found Smith, the local manager of the firm, grumbling because of losing his town business, and wanting to get out of a business that he could not be protected in, nor compete with others. Mr. Special suggested a local board and rating the town. Mr. Smith answered, "No other agent in town, and no one to make an agent of." Mr. Special suggested that Mr. Smith take the American Eagle, and Smith, Brown & Co., having the Grizzly Bear and Unicorn, Smith and Smith, Brown & Co. could form a board. This was agreed to, a board formed, the town rated and rates printed. Mr. Special put the rates on frames pretty well up, particularly on a nice risk in a log building, which was fixed at 7 per cent. This risk was written before the end of a year by Smith, Brown & Co. in the Grizzly Bear at 6 per cent. Mr. Secretary found by the special rating that it should be 7 per cent., and sent back orders to raise to 7 per cent. or cancel at once. Upon receipt of the order, Mr. Smith referred it to the special of the Unicorn, who happened along that day, who pronounced the rate 6 per cent. a good rate, and suggested that the *board* meet and reduce to 6 per cent. Acting on this hint, Smith immediately wrote to Secretary "*that the board met and reduced the rate to 6 per cent.*"

X.

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#### BEATING AROUND THE BUSH.

In the course of our experience as adjusters we meet with some curious specimens of "reports" from appraisers upon losses, and upon buildings in particular. "How not to do it," or, in other words, "how to hide the real facts," is as often the rule as the exception, when it is desirable to get at the truth. For downright unintelligible perversion of the English language, or something worse, I commend the following to your readers:

The case was one where both sides had agreed to leave the question of *present values*, upon a barn burned, to one carpenter. He reported the barn worth, before burning, some \$50 less than the insurance. The insured "kicked," and procured another carpenter, who sent in the following report, these being the exact words, to-wit:

"The actual measurement exceeds in height from 12 to 20 feet, and would cost enough to make the cost of building amount to the amount insured."

Of course, the underwriters hastened to pay the loss in full!

TREBLA.

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The Knapsack is an outgrowth of our Association, and we have handed to us many carefully expressed ideas and well-worded thoughts, being the natural outgrowth of the Knapsack, which has proved so valuable as the receptacle for individual episodes and detached conceptions. While the following is not written in the interest of the combined header and thresher, it contains valuable suggestions for the granger, and for those who indulge in the hazardous line of underwriting known as

## GROWING GRAIN INSURANCE.

An exchange of ideas which are based upon experience, is conducive to correct views, and the writer intends these lines not as statements of unchallenged facts, but as a memoranda of personal observations made and conclusions drawn from actual though limited experience in the fields.

After a grain crop has matured sufficiently to be in danger of destruction by fire, it has passed beyond the danger of depreciation from such natural causes as rust, smut, cheat or blight.

We will therefore date the consideration of the subject from the time when a grain crop stands in need of an insurance policy, viz: when it is sufficiently dry to burn. Prior to this date issuing policies on grain crops partakes of the hazard of "buying cats in a bag"—it being a matter of grave speculation as to the size and color of the cat, a mystery as to what it may develop into, and an impossibility to determine the value thereof. Just so with a grain crop before it is ripe.

The dangers to which a crop of grain is exposed while uncut, in stack, or in sack in the field, are many and varied. No doubt you have all heard of the hazard of the festive tramp as he seeks the shelter of a friendly grain stack to rest from his wearying labors. Bottles and pieces of glass have been known to become incendiaries by acting as lenses to concentrate the sun's rays sufficiently to set hay on fire. Added to these causes, are cigar stubs; sparks sown broadcast by locomotives; embers raked from the retreating thresher and left in the field presumably extinguished. The very soil, threaded with interlacing roots and filled with vegetable matter, becomes a peat, which burns almost as readily as the grain itself.

Examining the record of grain fires gives rise to a belief that the greatest number are caused by steam threshers together with the hazard of the attendant crew. This hazard, however, is gradually being disposed of by the increased adoption of the combined header and thresher, a movement which all companies interested in grain insurance should encourage, as it virtually removes the steam engines as well as reduces the cost of harvesting crops, and increases its value while standing. Much of the hazard attending grain while stacked in sacks in the field is due to the custom prevalent among farmers of covering the stack with straw or chaff to protect it from the heat, the fog, and the dust. This custom virtually converts a stack of sacked grain into a straw pile, as far as the fire hazard is concerned.

As winds are not only powerful factors in the creation of fires, but materially increase them when once started, grain fields located in those parts of the State where trees and hills abound have been found to be more exempt from large fires than those in our great valleys where the perfect level of the land does not afford such protection.

All agents should encourage farmers in plowing wide furrows around their grain fields, and should the field be a large unbroken one, a swath from six to ten feet wide should be mown around tracts of say 160 acres each. This makes it easily possible to confine a grain fire to a small tract.

The greatest care should be used in all cases to obtain a correct representation of the interest of the applicant in the crop to be insured, and to learn whether the same is encumbered either by mortgage or by the lien of some merchant. The honest granger has far too often been transformed into a bold incendiary, when closely pressed by some importuning creditor, as companies have already found to their cost.

It has often been argued that it is unsafe to insure crops in "short" years, or when the crops are small. The writer has yet to find and understand the peculiar hazard pertaining to "small" crops on account of their *being* "small." In fact, he considers a policy on an average crop, or on a small crop—provided the proper margin of value in favor of the company be preserved—as preferable to the risks covering on large crops. By a small crop we do not mean a *poor* crop, the former pertaining to the *quantity*, and the latter to the *quality* of the grain. A small crop very seldom depreciates the *value* of grain, but, on the contrary, very often appreciates the same. The yield per acre of a small crop is estimated with more certainty; the loss per acre is much less, and the number of acres consumed is less. There being a smaller amount of inflammable matter, the fire is more easily extinguished. Great care should be taken, however, that no insurance be granted on crops the value whereof is insufficient to place the same in the market.

Some of the important points to be guarded in this class of business are "the estimated yield," "the quality of the grain," and "the value of the grain at the place where the same is located." An important element of deception in the estimate of the *yield* of a crop is the abundance or scarcity of stalk, or "fodder" as it is styled by the native. The yield of a crop with small stalk is almost invariably under-estimated, while the yield of a crop with luxurious "fodder" is quite as certain to be over-estimated. There is no fixed rule by which grain yields can be estimated, but it is safe to say that the agent who resides in a grain growing district and is in a position to notice the gradual growth and development of crops, and learn their subsequent yield, can store his memory, if he be an observing man, with such facts and figures as to make his judgment in the matter of some weight and entitled to some consideration. Large or small crops, whether they bear grain of plump or poor quality, look alike at a distance of even a dozen feet, and no man can form even an approximately correct idea of the yield of a crop, without actually going into the field, and, laying aside all consideration for the stalk, notice not only the *size* of the heads but the *number* thereof. The *quality* of the grain is established by influences prevailing, before the same is insurable. Rust, smut, cheat, blight, and many other causes, separately and combined, gradually form the quality of the grain. As all these influences reduce the value of the grain, to different degrees, it is important that an agent accepting grain risks should not only be able to recognize these influences when they appear but understand the degrees of damage wrought by each. Shriveled grain, although it does not bring the highest price in the market, is not entirely useless. When we consider that the germ of a shriveled kernel will produce just as good a head of wheat as a

plump one, and that the shriveled kernels number many more to the cental than the plump ones, we can readily see that for *seeding purposes* the shriveled grain is most profitable. Shriveled grain is also very often milled, but the quality of flour obtained is a matter of dispute. Foul grain, when otherwise healthy, suffers only a reduction of about five cents per cental in price, which amount pays for cleaning same. Rusty or smutty grain is generally regarded with distrust. Its uses being few, the demand is very small.

Care should be taken that insurance is never granted upon values having an artificial or inflated market price as a basis, for before the policy expires, the value of the article insured may have shrunk to such an extent as to bring the amount of the insurance dangerously near the actual value.

The market value is too often taken as a basis upon which to grant insurance, without proper deductions therefrom, on account of the *location* of the crop insured. When one takes into consideration that the transportation of the grain from its original location, into the market where it will command the highest price, is often from two to six dollars per ton, it is readily seen that the location is an important consideration in determining the amount of insurance to be allowed.

Much more could be written concerning this class of hazard, but I shall not presume on your good nature by detaining you longer.

The readiness with which the *value* of an article can be determined, constitutes an important consideration in fixing its merits as an insurance risk, and the writer will venture the assertion that insurance on grain, whether uncut, cut, in stacks, or in sack, can, with proper regard to valuations and the charges of adequate rates, be made as profitable a class of business as we have on this Coast. For where will we find property that has a more determined and universal value than grain?—or one which will more easily bring a cash price?

F.

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#### GOOD ADVICE.

The following incident is related as having occurred in one of the interior counties of this State:

A member of the Israelitish persuasion had the misfortune to be overstocked with unsaleable goods, but blessed with a good line of insurance. A fire having destroyed the property, some inquisitive cusses, after investigation, concluded that the assured had burned the building for the insurance companies' benefit, and threatened to organize a neck-tie party in which the assured should be the principal actor. Being altogether opposed to such assemblages, he determined to emigrate before this honor should be forced upon him, and so fled to a neighboring town to consult an attorney, when the following conversation is related as having taken place:

"Mr. B, I would like to speak mit you brivately."

"All right. Come into my back office."

"Mr. B, you know my store vas burned?"

"Yes; so I have been informed. What can I do for you?"

"Vell, I vant your advise on diss point: Sol V says I burned dat store, und Sam V says he can brove it. Now, vat you dinks I had better do?"

"Well, if Sol asserts it and Sam proves it, you will be in a h-l of a fix."

"Vell, I dinks so, too. Dot is good advise, und I acts on it."

The following from an energetic "local" in one of our valley towns is given, to show that the ubiquitous special is sometimes given to being absent minded:

#### LOCKED IN.

Once upon a time the special of one of our local companies—a fine old English or Irish gentleman, his nationality having never been definitely settled in my mind—visited my agency to accurately determine how much salvage there was on a two-thousand dollar barn insured for one thousand and burned by act of Providence, or something equally as inaccessible. The place of the conflagration could only be reached by going across country, and the adjuster in question kindly volunteered to open the numerous gates. All went well, until we had to pass through a sheep corral with bars at the entrance which he managed admirably. To leave the unsavory spot, we had to pass through a gate, and after waiting a short time for the gentleman to get in beside him, the writer turned to see why that gentleman loitered so long. What was his astonishment to see the special on the inside of the closed gate, wondering how to get to the buggy without soiling either his lavender pants in climbing over, or his hands in creeping under. It never seemed to occur to him that it was possible to shut a gate from the outside. The gentleman has since partly retired from the field as special, much to the sorrow of the writer, who learned to know him as a whole-souled gentleman and a true friend of the local.

Here's another from the same pen:

#### SPECIAL OR PREACHER.

A few months ago, in one of those beautiful summer days that we often can enjoy in our California foot-hills, the writer had occasion to take a trip into Calaveras County. Leaving Milton in advance of the regular stage, myself and friend reached the dinner station in due time, and, after brushing off the dust and washing, we waited for the stage to arrive, which it did before long with Col. Lovelace at the helm and a solitary passenger seated beside him, the latter wearing a long regulation duster on his person and a clerical look on his face, and who sedately remarked upon alighting that "this was one of God's own days," thereby strengthening the impression that the gentleman must be a perambulating Methodist minister, going to preach next day in one of the adjoining towns. I therefore cautioned my friend not to call for beer or other stimulants while the stage stopped there, so as to avoid a quite probable temperance lecture, and consequently there was no appetizer for either my friend and myself. With a few pertinent remarks relating to God's own country and the wise rulings of the Creator, we all sat down to dinner, wait-

ing in silence for our supposed Gospel sharp to say grace, which, to our great surprise, he omitted doing. Having done ample justice to the viands set before us, our clerical acquaintance departed, thereby removing quite a restraint from us, and, after making up for loss of opportunity, we proceeded, duly refreshed, toward Murphy's, reaching that beautiful little town in time for supper. All the way up we speculated on the chances of hearing our supposed preacher discoursing of the rewards and punishments of the world to come to the benighted Calaverites next day, and imagine our joy, when, on entering the little gem of a mountain hostlery, kept by mine host Fritz of Murphy's, to find there our priestly gentleman. Watching our opportunity, we indulged unobserved by him in a few cocktails, and took our supper.

Later in the evening, after a few games of pedro, we needed another gentleman to make up the party, when our friend of the white tie approached and with a smile childlike and bland, volunteered to fill the vacant chair. Imagine our surprise, and how the look of amazement on our faces was measurably deepened; as he sat down and quietly proceeded to peg out first every time. The only solution I could offer my staggered brain was that it was a case of mistaken identity; and, while it became more and more evident that he was not a preacher, I began to conclude that he must be the special agent of some insurance company, all of which subsequently proved to be the case.

It is needless to say I shall never trust to appearances again, for if it has come to this that an old "local" cannot at once tell a special from a preacher, surely the day when the lion and the lamb shall lie down together must be near at hand.

D.

[QUERY.—Is the joke in the above on the special, the local, or preachers?—ED. KNAPSACK.]

#### FIRE FROM STEAM PIPES.

Noticing an item in a morning paper stating in effect that steam in iron pipes cannot set fire to wool or other substances, induces me to trespass on the space of your very valuable paper to record my opinion that it not only will set fire, but has done so, in one instance, in San Francisco quite lately.

In the case in question, the wool was protected from the pipes by a wire screen and believed to be some inches from the pipes. It is not absolutely known that the weight of the wool had not pressed the wire down upon the pipes, but is believed that such was not the case. The fire is question occurred between 8 and 9 P. M. and is explained in this way, and from sworn statements of parties upon the premises, is presumably true.

The pipes lay in horizontal coils under the wool, but not touching it. Hot steam passed through the pipes all day, and during the same time fans passed a current of air over the pipes, and the air thus heated passed up through the wool. At 5:30 P. M. work was stopped in the establishment, the engine stopped and the steam left in the pipes, and at the same time the fans stopped also. On the night of the burning the engineer and assistant were engaged in doing some extra work, in connecting new pipes,

and finding enough steam in the boiler to run the engine, started up to try the pipes. Immediately the dryers were found to be all ablaze, and the establishment was entirely consumed.

My theory is this, and I give it for what it is worth, without wearying you and your readers with details or trying to explain the chemical combinations and changes that brought it about:

The steam, having been stopped from passing along and out of the pipes, gave the whole of its heat to the pipes, which heat continued to increase for some hours after shutting down. At the same time the blasts having stopped, none of this heat was carried away by the air as before. The oil and steam in the wool, with the great heat of the pipes, created a gaseous formation under and through the whole wool. Doubtless some of the wool, most contiguous to the pipes had become charred, as, I am told is frequently the case, but not often known to blaze. In this condition a fresh current of air was suddenly thrown upon the pipes by the starting of the fans. This caused the gas to ignite and burst suddenly into flames, as the testimony is that as soon as the engine started flames issued from the dryer in all directions. The engineer states that, upon going immediately to the dryer, he found a blaze, like a gas jet, burning along the whole pile of wool and rising a few inches above it. He says the engine had not made fifteen strokes before the fire was discovered.

Were this an essay upon the above subject, instead of what it is intended to be, the briefest possible statement of a fact, we might enlarge upon the subject and search out the causes and effects, and go into a chemical analysis of the gases formed and effect of the cold air upon the hot pipes under such circumstances, as we here find. But time, space and want of ability forbid, yet the stubborn fact remains that the fire occurred and in the manner stated. Whether it would have occurred or not if the engineer had not, unfortunately, turned on the air blasts after the pipes and blasts had been still for some hours, is a question. Let that be as it may, the same combination of circumstances may occur in any wool dryer so arranged at any future time.

TREBLA.

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#### EXPOSURES.

The following taken from a leading insurance journal, is particularly commended to those "locals" who are prone to too much brevity in describing the character of the exposures they represent in the diagram of a new risk.

"An agent once went into the country to look at a farm dwelling risk. He found the dwelling a good one, told the owner so, and returned. Then he found he knew everything about the risk except the location of the water closet. So he wrote the farmer a polite note asking him to indicate the location and give full particulars of his 'w. c.' The old farmer was sorely puzzled over these cabalistic letters. His good wife gave up the conundrum. Finally the old gentleman asked his daughter, just home from boarding school, what 'w. c.' meant. 'Why, pa,' she said, 'that means Wesleyan

chapel.' So the old farmer sat down and wrote the agent that the 'w. c.' he attended, was 200 feet from the house and had a seating capacity of 550. On receipt of this astounding information, the agent promptly refused to have anything to do with the risk."

Our valuable assistant who runs the poetical part of the Knapsack, sends his lines in for this issue, coupled with the information that if his "hard tack" don't suit, we can throw it out, but he says, that like the boy who was caught hugging the nigger gal, "its the best he can do."

We think it will pass, and so give you

#### THE COUNTRY AGENT'S LAMENT.

BY D. M. B.

Twas a pleasant day in the month of June,  
A beautiful, sunny afternoon,  
When, as I had often done before,  
I sat on the porch of my country store.  
The farmers were all at work afield  
Preparing to reap the summer's yield;  
My family were all away  
Out in the country to spend the day,  
So, being alone, with nothing to do,  
And no hope of trade for an hour or two,  
I sat me down in the open air,  
Lit my pipe and tipped back my chair,  
The very picture of content,  
And so a short half hour I spent.  
But a sudden pause came in my dream,  
For a man drove up with a double team,  
And, jumping out, he seized my hand,  
Saying, "You're Mr. Jones, I understand,  
And from what your neighbors say to me,  
You're just the man I want to see.  
I'm the Special of the world-renowned  
Owl Fire Insurance Co., known all round  
As the strongest company, take it all in all,  
That ever was formed on this earthly ball.  
Now, I want you to take our agency,  
For I know it must be satisfactory;  
Fifteen per cent. commission we pay,  
And I'll put up our sign this very day."  
He didn't give me even time to think,  
But rushed me in and took a drink,  
Nailed up a sign, ere I could turn round  
Jumped into his wagon and was off with a bound.  
Alas for me! 'twas an evil hour,  
When I put myself in that man's power;  
For ever since then I've been overrun  
With Specials who did just as he had done;  
They have covered with signs the front of my store,  
I expect soon they'll nail them across the door.

There are American, English, German and Greek,  
 Some whose names I can scarcely speak;  
 From the Cannibal Islands even are some,  
 And I know not from where next they'll come.  
 Each one confidently says to me  
 That my commission still more shall be;  
 What once was large, now seems too small,  
 And I think they may end by allowing me all.  
 One says, "We pay losses when the fire is done,"  
 Another, "We pay when it has just begun."  
 One will give credit for half the year,  
 Another says, "Pay when renewal is near."  
 At New Year comes a clock, a knife,  
 A "chromo," a breastpin for my wife.  
 I have scarcely room to eat or sleep,  
 For my rooms are covered six feet deep  
 With calendars, blotters, cards and blanks,  
 And letter paper to write my thanks;  
 One far-seeing company sent to me  
 Diaries for 1893.  
 I live in a state of constant fear  
 Lest some new Special may appear,  
 And I've made up my mind if a single one,  
 From any company under the sun,  
 E'er sets his foot in my store again,  
 I'll throw up the whole thing there and then;  
 I'll shovel the trash right out of the door,  
 And return to peace and content once more.

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#### BUSINESS BACKBONE.

By "business backbone" we mean having the "sand" to stand up for what is right, in principle and practice, and religiously living up to rules and regulations. In no business is this more necessary than in insurance, for the reason that rules and regulations regarding the conduct of the business have been forced upon the underwriters by the practices of fraud by the insured. Nearly every condition and rule adopted, either in the policy or conduct of the business, has been accepted as a necessity for self protection.

Yet there seems to be a growing tendency to weaken, let down and "letting go the grip," growing upon the underwriting fraternity, that may well be looked upon with alarm by those who shape their present and future by the experience of the past. Here an endorsement and there an endorsement we find upon policies annulling time-honored rules and conditions, non-plussing the adjuster and doing injustice to the honest underwriter, and indirectly working a wrong to the insuring public. At the request of some influential capitalist, or, in answer to a threat of a customer to go elsewhere, or more frequently succumbing to an undefined dread of losing business and the consequent commissions, we are gradually teaching the insurers to think that our rules and conditions are made to be violated on request; and we are rapidly softening in the region of the spinal column. Let us hope this softening process may not reach the brain.

Most of the readers of the Knapsack can think of some instances that will bear us out in the above statement. One, among many, that presents itself to our notice just now is the bad habit of writing "blanket policies." As a safeguard against arson, as a fair, square-toed contract that promises just what the insurer expects and ought to get, the "specific policy" is the true and only one to write. Yet the writer has lately run across policies written to violate all rules of specific form, and so blankety as to well earn a right to be labeled after the famous productions of our woollen mills, and styled "California Blankets." And this is done "to oblige the customers." And this "customer" tells the writer that "they all do it." Where, Oh underwriter, where, Oh manager of the leading commercial profession of this great business world, is your backbone? You, Mr. Editor, in your peculiar way, and with that well known twinkle of the orb in the northeast corner of your genial face, my answer, "Why, in his back, of course, where should it be?"

But seriously, Mr. Editor, why should not fire insurance companies have their rules for doing business, and why, if so, should they not make their customers respect them by living up to those rules? "Great competition and a desire to do a large business," may be your answer. But is this wise—is it expedient? Is the object gained? On the contrary, a loss of respect and a loss of confidence follows, which is a financial loss in the end.

SPINO.

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#### AN ENDORSEMENT.

There is a good deal of marrow in the above Backbone article, and *Spino's* allusion to endorsements calls to mind the following, which for a clever way to get at the butter without greasing the nose, is recommended to those who deal in contraband goods. It's a true bill, and the indictment rests on a policy, of which the number and name of the company could be given, which wrote on a dwelling and furniture for three years at one and a half per cent. for the term, and graciously added:

"Permission granted to sell wines and liquors."

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#### A CONUNDRUM.

Being a careful reader of, as well as listener to matters pertaining to the welfare of the Fire Underwriters' Association of the Pacific, it is with considerable pleasure the writer has heard it whispered that henceforth the "Knapsack" is to follow in the footsteps of other illustrious publications and become *the* much needed "family magazine" in deference to the juvenile element which is rapidly springing into existence, owing to proper and effective action in that direction by the numerous Benedicts connected with the Association. It seems necessary, therefore, in order to adapt itself to the budding intellects of this junior class, that some portion of its pages should be reserved exclusively for their amusement, combined with primary instruc-

tion. In order, therefore, to further such laudable enterprise on the part of the manager, the writer desires to propound the following:

In what chapter and verse of the Bible is the oldest law concerning "fires in grain fields" to be found?

The writer is authorized to state that a correct answer will entitle the fortunate one (or ones) to a copy of that beautiful lithograph just issued by the manager of the "Knapsack," being no less than a complete war department map of the city of San Francisco. The various points of vantage-ground in this city have been carefully considered and properly numbered, so that in case of an invasion by our "common enemy, instant notice can be sent to headquarters and the department forces massed in position with unerring certainty. The location of the various parks and squares has not been neglected, but these will be used chiefly to deploy the native infant(ry).

With his characteristic sagacity and forethought, joined to a steadfast principle of the War Department to always carefully guard its base of supplies as well as to deceive the enemy in relation to its "war footing," the Colonel has refrained from the least intimation concerning the (limited) quantity of ammunition so jealously hidden from our confiding citizens, not even hinting as to the location of those apparently inoffensive pieces of ordnance regularly standing on end at sundry street corners, but which when brought into action by the trained artillerists of our battalions prove whole arsenals in themselves.

It is true that a casual look at the extreme southern boundary of the map reveals what, at first sight, appears to be a timid stream of water supply, which disappears abruptly, however, as if frightened at its own presumption; and this revelation seems to be an unwarrantable departure from that strict secrecy which governs the War Department in relation to its methods of receiving supplies; but upon a more careful scrutiny, it will be found that this is simply a gigantic piece of strategy on the part of our Colonel, intended to deceive the enemy and draw his attention from our "main" reliance.

Along the Eastern frontier of the map appears what is no doubt a skillfully planned *cheveaux-de-frise*, its black, jagged outline bidding defiance to the enemy from that quarter.

Looking north, the Government reservations pleasantly located, meet the eye, the generals' quarters (as is customary) being carefully situated "out of range."

Westerly, the cemeteries (those necessary as well as suggestive adjuncts to a War Department map) are spread out invitingly—but long may it be ere their "skeleton ranks" shall be recruited by armed invasion, and long may our Colonel's map prove a standing menace to the torch of the enemy.



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DON'T FORGET.

And now that we have given you the contents of The Knapsack, we throw off the useless—because empty—receptacle, and propose to sit round the camp-

fire, tell stories and fill ourselves with the supply of good things the foraging party detailed by the Commissary will offer us to-night. Before we do so, however, we propose to give one war-whoop, sound the tocsin for a gathering of the clans, and have a final say.

*Don't forget* that while you have met here and had a good time, complimented this or that one on his able paper, you have not finished your mutual labors and responsibilities for another year.

*Don't forget* that some of the ideas you have listened to can be utilized—can be carried into each of your daily lives in the practice of your profession; into the back office and to the front counter; into the field where special work is to be done, and to the dusty table in some local's office where you are figuring out a salvage with a claimant, perhaps to the dismay of a brother adjuster and at the expense of a sister company.

*Don't forget* the equities of all things, from the rates the assured should properly pay to the newly secured water supply of some enterprising town.

*Don't forget* that the printed conditions of policies are based on dear experience and legal decisions, and should be considered as a fixed underlying strata on which to erect the more changing structure written above.

*Don't forget* that the local agent may have many a good notion about the business as he finds it at his end of the line, and yet should always be made to know that the ship is to be steered from the quarter-deck.

*Don't forget* that statistics are a necessary adjunct of the business, and can give the level-headed manager lots of information about exposed bricks and bobtail ranges, but they are not compiled to frighten the timid underwriter off a nest which a single year's hatching may have filled with bad eggs.

*Don't forget* that legitimate legislation is a safe proposition, and that the creation of an Insurance Commissioner to keep out Peter Funks is just as proper as it is wrong to tax the capital, assets and income of foreign companies, or pass laws that the face of a policy shall be paid, regardless of the value of the property insured.

*Don't forget* that our library is here to be utilized, and it is a safe proposition to gamble on that many of us would be better informed if we would read more, remember more, think more, and—talk less.

*Don't forget* that business is business, and, while doing everything to get it, that it is business-like, honest and gentlemanly to pursue the well-known paths of truthfulness and good faith.

*Don't forget* to say all the good things you can, truthfully, about your own company, but don't lie about your neighbors.

*Don't forget* any of the truths we have been trying to drive into you, and, above all, don't forget

THE KNAPSACK.

## THE CALIFORNIA KNAPSACK SUPPLEMENT.

In our regular issue we omitted the following verses, which were found concealed in a remote nook of The Knapsack, at the close of the session, just as we were preparing to lay it away for the next campaign. We learned that they were hewn out of the native wood by our "Carpenter," and so we thought best to have them produced as "an oratorio" during the festivities, which began at six and closed at twelve that evening, and were given in our friend Samuel D. Mayer's usual happy and musical style, which greatly enhanced the pleasures of those hours.

## THE FINE OULD UNDERWRITING BOARD.

I'll tell you a fine ould shtory, which I'll either sing or spake,  
Of a fine ould Underwriting Board which for all of the Pacific Coast the insurance rates  
did make,

Except for some, like H. & M., who always thought they could afford a *little* less to take,  
And who got lots of business by this same token, much to the dissatisfaction of others on  
the strate.

Yet this fine ould Underwriting Board was one of the rale ould shtock.

So the Phoenix bird that has its *Home* with Arthur E. Magill,  
Rose from its ashes, crowed, cock-a-doodle-do, and said, I never will  
See Oakland dwellings filling up some other rooster's crop  
At 50c. when at 45 they'd add plazin' variety to me special hazard diet; so from off this  
board I'll hop—

From this fine ould Underwriting Board—however ould its shtock;

Now, this kind of progress by the bird some thought a fou(w)l proceedin'—  
In fact, the flop gave such a shock, the board commenced a-teeterin'  
Until it looked, indeed, as if it's balance it would lose  
And fall down and break into smithereens, and lave nothin' for a single chick of us to  
stand upon but mud wid the corn tramped down into it so dape we'd all be  
shtarvin' wid the blues—

Did this fine ould Underwriting Board, all of the good ould shtock.

This might have been our plight—too bad—had not a friend Teutonic,  
With Easton and ten companies, jumped on just as the other hopped off from it,  
And so helped Staples in the middle to keep his seat,  
Thereby restorin' the equilibrium, and lavin' us happy as could be, considerin' we see so  
many chicks gettin' fat be ow, and so much corn rollin' off the board that we  
don't have half enough to eat—

Off this good ould Underwriting Board, all of the good ould shtock.

So this fine ould Board is not broken up just yit in two,  
But if 't had more on it, 'twouldn't be half so likely to warp up or to split, but be just as  
good as new,

And ye'd all get your corn nice and clane, and lots more of it, too,  
And not be fightin' and pullin' and turnin' a pacable poultry yard, figuratively spakin',  
into a roarin' cock-pit, if you

Would join this Underwriting Board, made of good ould shtock.

Mr. Geo. F. Grant: Col. C. M. Kinne has been Editor of the "Knapsack" for a long time. He must know how much we appreciate it, yet I move that a formal vote of thanks be tendered him for his management of this paper.

The motion was carried.

The President—Next in order will be unfinished business, if there is any.

Mr. A. R. Gunnison—I believe that there is a matter of unfinished business that Col. Kinne called attention to yesterday. I refer to the resolution pertaining to the apportionment of expenses where one policy has the adjuster's clause and the other has not, said resolution having been offered by me at our last monthly meeting and laid over until this meeting. As it is necessary to act upon it in some way, I now propose to withdraw said resolution.

Col. C. M. Kinne: The resolution can not be withdrawn in that way. It is the property of this Association. It has been brought here and discussed. It was referred to the Committee on Losses and Adjustments, and they referred it to us for action. It cannot be withdrawn without the consent of this Association. Now, in regard to this rule for apportionment of Loss under Non-concurrent Policies, one will say: "yes, it's a good thing to have a rule, but you can't adopt one that they will stick to." Another will say: "Kinne, your rule is all right, but you don't want any rules." The truth is, they want half a dozen rules, so whichever adjuster gets on the ground first can swindle the other fellow. So with this adjuster's clause: The assured have certain rights, and the adjusters have certain rights, and I don't think we should swindle the assured any more than we should swindle the adjusters. I don't know the motive that has caused Mr. Gunnison to make and then withdraw the resolution.

Mr. A. R. Gunnison—The motive is very easily explained. We are pressed for time and I thought the Association was tired already. I thought it had better be settled in that way, and the

matter closed by withdrawing the resolution. However, if the Association does not wish to have the resolution withdrawn, it will be necessary to have the Secretary read the resolution.

The President—Mr. Secretary, will you please read the resolution.

The Secretary read as follows:

*Resolved*, That it is the sense of this Association that the so-called Adjuster's Clause is intended, and shall be construed to mean, to cover the expenses of one adjuster only for all companies interested; and that when all the policies, upon an individual loss, contain the adjuster's clause, the assured shall be chargeable for only the actual expenses of one adjuster, although two or more shall be employed.

*Resolved*, That it is the sense of this Association, that where, upon an individual loss, one or more policies contain the adjuster's clause and others do not, the insured shall be chargeable only a pro rata amount of the adjuster's expenses for the policies having the adjuster's clause, the policies not having the same, to pay their own pro rata of said expenses.

*Resolved*, That where one adjuster is employed to adjust several losses by the same conflagration, that it is the sense of this Association that it is not politic or wise to attempt to collect, under the said adjuster's clause, for each individual loss; but the expenses for all the losses shall be borne proportionately by all the policies interested, apportioned according to preceding resolutions.

Mr. Geo. D. Dornin—I move that the Committee on Losses and Adjustments have further time in which to report on this resolution. I believe that as Col. Kinne says it would not be wise to have a matter of this kind withdrawn. I believe it is a legitimate subject for the Association (composed of Adjusters largely) to dispose of. It is one of the vexed matters that they find to deal with, and I believe it would not be difficult to reach some definite understanding as to how the adjuster's clause shall be interpreted, and the adjustment expenses pro-rated among the insurance companies and the assured, so that insurance companies, after their representatives leave the assured, may not be considered public enemies, as they often are by reason of some unfair charge put upon the assured.

The President put the motion made by Mr. Dornin, and it was carried.

The President—Before the meeting adjourns, I wish to thank the gentlemen who have contributed to the entertainment and instruction of us all. I must acknowledge, so far as I am concerned, that I did not have time to go around and spur up the different members of the committees with reference to the necessity of having their papers here. But the result shows that no such process was necessary. They have performed their duties in good style. We have reason to congratulate ourselves on the amount of instruction obtained from the papers that have been read. I also have to thank the Dinner Committee for relieving me of all care so far as this evening's banquet is concerned.

Mr. Geo. D. Dornin—It seems to me that the thanks of this Association are due to yourself as President for the very handsome result of this meeting. I remember, when I occupied the position, when it was very difficult to get more than a dozen to attend—when no enthusiasm seemed to be manifested. From small beginnings we have grown into an association with a membership equal to the number of companies represented in San Francisco. The interest that was created, commencing probably with Mr. Spencer and continued by Messrs. Bromwell and Grant, has been well followed up by yourself, and I feel sure that in the prosecution of the work of the underwriters on this coast good results will be seen to follow. I move that the thanks of this Association be extended to Mr. Carpenter for the work that he has accomplished, and that the Secretary put the motion.

The motion was put by the Secretary and carried.

The President—I am glad to learn that my administration is endorsed as a successful one. I have not given nearly as much time to its duties as I should, yet I gave as much as was possible.

Mr. W. L. Chalmers—It has been customary every year to donate to the Secretary a certain amount in consideration of his services. I move that following the same rule this Association donate \$50 to Mr. Naunton for his services during the year.

Motion carried.

Mr. R. H. Naunton, Secretary—I feel grateful for this action,

and regret that I cannot further serve you in this capacity, as my business will take me out of town a great deal, and I hope that you will select some other person to act as Secretary during the coming year.

The President—If there is no further business of a miscellaneous character, we will proceed to the election of officers.

Col. C. M. Kinne nominated Mr. Wm. Sexton for President, and on motion nominations for President were declared closed, the Secretary requested to cast the ballot of the Association for Mr. Sexton, and he was declared duly elected.

Mr. Geo. F. Grant nominated Col. C. M. Kinne for Vice-President, and the same course was pursued as in the case of the President, and Col. Kinne was declared duly elected.

President Carpenter—Under the rules of our Association our officers enter upon their duties as soon as elected. As the newly elected President, Mr. Sexton, is not here, it is proper that I should now yield the chair to his representative, the newly elected Vice-President.

Vice-President Kinne took the chair.

Mr. Wm. Macdonald nominated Mr. C. P. Farnfield for Secretary, and on motion nominations were closed, the Secretary instructed to cast the ballot of the Association for Mr. Farnfield, and he was declared duly elected Secretary.

Mr. C. P. Farnfield—I appreciate the compliment you pay me in deeming me to be worthy to succeed such able men as our Brothers Staples and Naunton, and trust that at the end of my year of office you will think as well of me as you appear to think now.

Mr. Geo. F. Grant—Although we voted our retiring Secretary \$50 as a partial recognition of his services, I now move that we also tender him the thanks of the Association for the very efficient manner in which he has performed his duties.

The motion was carried.

Vice President Kinne—Mr. Naunton, it gives me pleasure to extend to you the thanks of this Association, in addition to the \$50 which you will draw to-morrow.

Mr. Geo. F. Grant—Mr. J. G. Edwards has this year, as well as in other years, always been ready to give us his assistance through the columns of his journal, the *Coast Review*, I therefore move that the thanks of this Association be extended to him.

The motion was carried.

Mr. George D. Dornin—I move, as a mark of respect to Mr. Edwards, that we continue our subscription to the *Coast Review* for another year.

Mr. A. R. Gunnison—As we are now offering up thanks, I think the thanks of this Association are due to the Presidents of two of our local companies, for their presence and encouragement in our work. I refer to President Hopkins and President Staples. I think they deserve our thanks, and I make a motion to that effect.

The motion was carried.

On motion, the meeting adjourned, it being understood that the members were to again assemble at the banqueting halls of the *Maison Dorée*, at six o'clock p. m., for the concluding exercises of the Eighth Annual Session of the Underwriter's Association of the Pacific.

## LIST OF MEMBERS.

---

- L. L. Bromwell, Secretary, California Insurance Company.  
Geo. F. Grant, Special Agent and Adjuster, North British & Mercantile & German-American Insurance Companies.  
Z. P. Clark, General Agent, Commercial Union Assurance Company.  
Wm. Sexton, Assistant Manager, Lion, Orient and Washington Fire Insurance Companies.  
A. D. Smith, General Agent, Amazon, American Central, Niagara, Pacific and Northwestern National Insurance Companies.  
Geo. W. Spencer, Manager, London & Lancashire, Manchester and Continental Insurance Companies.  
J. W. Staples, Manager, London and Lancashire, Manchester and Continental Insurance Companies.  
E. Brown, General Agent, Phenix and Star Insurance Companies, and the Insurance Company of Pennsylvania.  
A. J. Bryant, President, State Investment and Insurance Company.  
J. R. Garniss, Fire Insurance Adjuster and General Agent, Fidelity and Casualty Company.  
J. D. Bailey, Secretary, Union Insurance Company.  
A. R. Gunnison, Special Agent and Adjuster, Commercial Insurance Co.  
Robert Dickson, Manager, Imperial, London, Northern and Queen Insurance Companies.  
Geo. D. Dornin, Manager, Lion, Orient and Washington Fire Insurance Companies.  
\*Henry Smith, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.  
H. W. Snow, General Agent, Amazon, American Central, Niagara, Pacific and Northwestern National Insurance Companies.  
W. J. Landers, General Agent, Guardian Assurance Company.  
E. E. Potter, Secretary and Treasurer, Sun Insurance Company of California, and General Agent Williamsburg City Insurance Company.  
J. F. Houghton, President, Home Mutual Insurance Company.  
W. J. Callingham, General Agent, South British & National and City of London Insurance Companies.  
†D. L. Kirby, Associate Manager, Royal Canadian Insurance Company.  
†W. W. Dudley, Illinois State Agent, German American Insurance Company.  
Wm. MacDonald, General Agent, Connecticut and Scottish Union & National Insurance Companies.  
C. T. Hopkins, President, California Insurance Company, and General Agent Union Insurance Company of New Zealand.

- W. L. Chalmers, Special Agent and Adjuster, Fire Insurance Association of London.
- J. R. Hamilton, Manager, Commercial Union Assurance Company.
- T. C. Grant, General Agent, North British & Mercantile and German-American Insurance Companies.
- Chas. H. Cushing, Secretary, State Investment and Insurance Company.
- \*W. J. Stoddard, Agent, New York Underwriters' Agency, etc.
- A. P. Flint, Manager, Hartford Fire Insurance Company.
- H. R. Mann, Agent, Hutchinson & Mann's Agency.
- Julius Jacobs, Agent, Jacobs & Easton Agency.
- Geo. Easton, Agent, Jacobs & Easton Agency.
- †Jas. Kip, formerly of the London Assurance Company.
- Samuel D. Mayer, City Agent, Commercial Union Assurance Company.
- Dave Rorick, Perry, Jefferson County, Kansas.
- C. P. Ferry, Inspector of Agencies and Adjuster, Portland, Or.
- †E. E. Ryan, Agency, 110 La Salle St., Chicago, Ill.
- Oliver Hawes, General Agent, Connecticut Fire and Scottish Union & National Insurance Companies.
- S. O. Hunt, Agent, Jonathan Hunt, Son & Co's Agency.
- D. J. Staples, President, Fireman's Fund Insurance Company.
- Wm. Frank, General Agent, Hamburg-Magdeburg and Germania Fire Insurance Companies.
- \*Henry Balzer, Agent, Svea, North German and Helvetia Insurance Companies.
- L. Beck, City Agent, New Zealand Insurance Company.
- C. M. Nichols, Surveyor of the Board of Fire Underwriters.
- O. H. Cole, Adjuster, Portland, Oregon.
- T. A. Mitchell, Agent, Jonathan Hunt, Son & Co's Agency.
- C. Mason Kinne, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.
- J. C. Jennings, General Agent, Manufacturers' and New Hampshire Insurance Companies.
- Geo. E. Butler, General Agency, S. F. Agency Phoenix Assurance Company of London, British America and Western Assurance Companies of Canada.
- Chas. D. Haven, Resident Secretary, Liverpool & London & Globe Insurance Company.
- E. W. Carpenter, Assistant Secretary, Fireman's Fund Insurance Company.
- †W. N. Olmsted, 62 Cedar St., room 10, New York City.
- Geo. W. Dornin, with Lion, Orient and Washington Fire Insurance Companies.
- W. P. Thomas, Special Agent and Adjuster, South British and National Insurance and City of London Companies.
- Louis Mel, Special Agent and Adjuster, Royal, Norwich Union & Lancashire Insurance Companies.
- J. P. Cox, with Hutchinson & Mann's Agency.
- †J. G. Edwards, Editor *Coast Review*, 320 Sansome St., San Francisco.

- †A Hill Jack, General Manager, National Fire & Marine Insurance Company of New Zealand.
- R. H. Naunton, Special Agent and Adjuster, South British & National and City of London Insurance Companies.
- Jno C. Staples, Fire Insurance Adjuster.
- T. E. Pope, Special Agent and Adjuster, Ætna Insurance Company.
- S. E. Strickland, Fire Insurance Adjuster.
- S. B. Riggen, Special Agent and Adjuster, Portland, Oregon
- Alfred Stillman, Manager, Compact Association, Portland, Oregon.
- W. G. Elliott, City Agent, Lion, Orient and Washington Fire Insurance Companies.
- Rudolph Herrold, Surveyor, Hamburg-Bremen and other Insurance Companies.
- Thos. W. Fenn, Special Agent and Adjuster, Jacobs & Easton Agency.
- Chas. P. Farnfield, General Agent, Union Insurance Company, S. F.
- L. B. Edwards, General Agent, Oakland Home Insurance Company.
- Homer A. Craig, General Agent, Brown, Craig & Co.
- William J. Dutton, Secretary, Fireman's Fund Insurance Company.
- Edward Farnsworth, General Agent, Farnsworth & Son.
- H. K. Belden, Special Agent, Hartford Insurance Company.
- A. C. Donnell, City Agent, California Insurance Company.
- Ferd. K. Rule, Special Agent, Butler & Haldan's Agency.
- B. Faymonville, Special Agent, Fireman's Fund Insurance Company.
- S. D. Ives, Special Agent, Fireman's Fund Insurance Company.
- F. T. Hoyt, General Agent, Oakland Home Insurance Company.
- †C. C. Hine, Editor *Insurance Monitor*, New York.
- †W. J. Brodrick, Insurance Agent, Los Angeles.
- Fulton M. Berry, Special Agent, Hamburg-Magdeburg Insurance Company.
- E. A. Halsey, with Messrs. Hutchinson & Mann.
- D. B. Wilson, Special Agent, with Brown, Craig & Co's Agency.
- Geo. F. Ashton, Special Agent, with J. C. Jennings's Agency.
- O. N. Hall, Special Agent, with Hutchinson & Mann's Agency.
- A. R. Gurrey, Special Agent, Imperial, London, Northern and Queen Insurance Companies.
- C. B. McHenry, Special Agent, German-American Insurance Company.
- J. W. G. Cofran, Manager, Portland, Oregon.
- H. C. L'hote, Special Agent, Western Insurance Company of California.
- W. F. Herrick, Adjuster, Commercial Insurance Company of California.
- R. H. Magill, General Agent, Home Mutual Insurance Company.
- H. M. Grant, Special Agent, with Balfour, Guthrie & Co.
- Henry Dobinson, General Agent, Portland, Oregon.
- †G. F. McLellan, Insurance Agent, Los Angeles.
- Franz Jacoby, Assistant Manager, Providence-Washington Insurance Co.



# OFFICERS FOR THE YEAR 1884-85.

PRESIDENT,  
WM. SEXTON.

VICE-PRESIDENT,  
C. MASON KINNE.

SECRETARY,

C. P. FARNFIELD,

EXECUTIVE COMMITTEE.

GEORGE F. GRANT,

H. W. SNOW,

OLIVER HAWES.

## STANDING COMMITTEES.

LOCAL AGENTS.

S. O. HUNT,

H. R. MANN,

H. M. GRANT.

FORMS OF POLICIES.

L. B. EDWARDS,

B. FAYMONVILLE,

F. K. RULE.

LOSSES AND ADJUSTMENTS.

A. R. GUNNISON,

J. W. STAPLES,

I. W. FENN.

LEGISLATION AND TAXATION.

J. F. HOUGHTON,

Z. P. CLARK,

W. J. LANDERS.

FIRE DEPARTMENT AND WATER SUPPLY.

E. BROWN,

J. D. BAILEY,

C. H. L'HOTE.

STATISTICS.

CHAS. D. HAVEN,

R. H. MAGILL,

A. P. FLINT.

LIBRARY.

C. T. HOPKINS,

GEO. D. DORNIN,

A. J. BRYANT.

"CALIFORNIA KNAPSACK."

C. MASON KINNE, Editor.



THE LIVERPOOL AND LONDON  
AND GLOBE INSURANCE CO.

# PROCEEDINGS

OF THE

NINTH ANNUAL MEETING

OF THE

# FIRE UNDERWRITERS'

Association of the Pacific



SAN FRANCISCO, FEBRUARY 17TH AND 18TH, 1885.

PRINTED BY ORDER OF THE ASSOCIATION.

1885.

# Fire Underwriters' Association of the Pacific.

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## OFFICERS FOR THE YEAR 1884-85.

WM. SEXTON.....	PRESIDENT.
C. MASON KINNE.....	VICE-PRESIDENT.
C. P. FARNFIELD.....	SECRETARY AND TREASURER.

## EXECUTIVE COMMITTEE.

GEO. F. GRANT,	H. W. SNOW,	OLIVER HAWES.
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## STANDING COMMITTEES.

### *Local Agents,*

S. O. HUNT,	H. R. MANN,	H. M. GRANT.
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### *Forms of Policies.*

L. B. EDWARDS,	B. FAYMONVILLE,	F. K. RULE.
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### *Losses and Adjustments.*

A. R. GUNNISON,	J. W. STAPLES,	T. W. FENN.
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### *Legislation and Taxation.*

J. F. HOUGHTON,	Z. P. CLARK,	W. J. LANDERS.
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### *Fire Department and Water Supply.*

E. BROWN,	J. D. BAILEY,	H. C. L'HOTE.
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### *Statistics.*

CHAS. D. HAVEN,	R. H. MAGILL,	A. P. FLINT.
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### *Library.*

C. T. HOPKINS,	GEO. D. DORNIN,	A. J. BRYANT.
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"California Knapsack," C. MASON KINNE, Editor.

# Fire Underwriters' Association of the Pacific.

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## NINTH ANNUAL MEETING.

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### PROGRAMME.

ANNUAL REPORT.....	C. P. FARNFIELD, Treasurer.
ANNUAL ADDRESS.....	WM. SEXTON, President.
ANNUAL REPORT EXECUTIVE COMMITTEE.....	GEO. F. GRANT, Chairman.
LOCAL AGENTS.....	H. M. GRANT.
LOCAL AGENTS (by a Local) .....	B. B. LEE, (Red Bluff).
FORMS OF POLICIES.....	B. FAYMONVILLE.
WAIVER AND ESTOPPEL.....	PETER WINNE, (Denver).
LOSSES AND ADJUSTMENTS.....	T. W. FENN.
RULES FOR APPORTIONMENT.....	A. R. GUNNISON.
LEGISLATION AND TAXATION .....	J. F. HOUGHTON.
FIRE DEPARTMENT AND WATER SUPPLY.....	E. BROWN.
STATISTICS .....	C. D. HAVEN.
CLASSIFICATIONS.....	GEO. W. DORNIN.
LIBRARY.....	C. T. HOPKINS.
CALIFORNIA KNAPSACK.....	C. MASON KINNE.



# PROCEEDINGS

OF THE

Ninth Annual Meeting of the Fire Underwriters' Association of the Pacific, held at the Rooms of the Board of Fire Underwriters of the Pacific, 401 California Street, San Francisco, Cal., February 17th and 18th, 1885.

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## OPENING SESSION.

SAN FRANCISCO, Tuesday, February 17th, 1885.

The ninth annual meeting of the Fire Underwriters' Association of the Pacific was called to order at 10:30 A. M.

President William Sexton, Assistant Manager of the Lion Insurance Company, in the Chair, and C. P. Farnfield, General Agent of the Union Insurance Company, Secretary.

The following members were noted as present during the session:

Wm. Sexton,	C. P. Farnfield,	Tom C. Grant,
G. F. Grant,	L. Mel.	E. W. Carpenter,
R. H. Naunton,	Gen. Houghton,	J. W. Staples,
T. W. Fenn,	Geo. D. Dornin,	Geo. W. Spencer,
R. V. Watt,	E. Brown,	Thos. J. Conroy,
C. P. Ferry,	Mel. S. Levy,	W. G. Elliott,
F. Jacoby,	R. Herold,	A. J. Wetzlar,
C. E. Moody,	Geo. E. Butler,	R. Faraday,
H. M. Grant,	F. T. Hoyt,	O. Hawes,
W. L. Chalmers,	S. O. Hunt,	G. W. Dornin,
A. R. Gunnison,	J. G. Edwards,	D. B. Bush,
E. Farnsworth,	W. S. Davis,	John Landers.
Col. C. Mason Kinne,	W. Frank,	

Mr. G. F. Grant—Before proceeding with the regular business of the Association, I wish to state that there are several gentlemen who desire to be elected members of the Association. I move that the rules be suspended, and that we proceed to elect them.

Motion seconded and carried.

The President—It is so ordered, and the applicants' names will be read.

The Secretary—John Landers, General Agent of the Glasgow & London Insurance Co.; Melville S. Levy, Special Agent for Jacobs & Easton; Colonel Bush, Special of Home Mutual Insurance Co.; Richard Faraday, of the firm of F. Jacoby & Co. J. Wetzlar, Adjuster; T. J. Conroy, Special Agent with Balfour, Guthrie & Co.

Mr. Farnsworth—I move that the Secretary cast the ballot for the gentlemen.

(Ballot taken, resulting in the election of all the gentlemen above named.)

The President—It gives me pleasure to announce that the gentlemen have been elected members of this Association. The Secretary will please read the minutes of the last meeting. (After reading of minutes.) If there are no objections, the minutes will stand approved as read. There being none, it is so ordered. The reading of the Treasurer's report is now in order.

### TREASURER'S REPORT.

C. P. FARNFIELD, *Secretary and Treasurer, in account with the Fire Underwriters' Association of the Pacific.*

1884.	Dr.	
Feb. 20. Balance from old account .....		\$37 08
Annual dues—81 at \$2.50 .....	\$202 50	
Entrance fees—6 at \$5.....	30 00	
		<hr/> 232 50
Special assessment on resident members—70 at \$2.		140 00
Sale of badges—3 at \$2.50.....		7 50
		<hr/> <hr/> \$417 08

# FIRE UNDERWRITERS' ASSOCIATION.

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1884.	CR.	
Feb. 21.	Expressage on chairs.....	\$ 1 00
	Dinner Committee.....	33 00
March 4.	R. H. Naunton, services as Secretary....	50 00
	Stanley & Davis, printing.....	1 50
	“ “ “ .....	3 50
	J. J. Evans, receipt book .....	3 75
April 15.	Postage—proceedings of annual meeting.....	2 50
24.	Spaulding & Co., printing proceedings of annual meeting .....	216 00
May 2.	Stanley & Davis, printing .....	12 50
16.	Expressage on books from East.....	65
July 14.	Printing assessment receipts.....	75
16.	Bosqui & Co., printing.....	3 50
Sept. 1.	“ “ “ .....	3 50
Oct. 13.	Spaulding & Co., committee cards .....	3 25
18.	A. J. Forbes, moving.....	6 50
	Labor—dusting and refixing in new rooms. ....	2 50
1885.		
Feb. 12.	Insurance on library, \$600.....	5 40
	C. W. Gordon, printing.....	2 00
	C. M. Kinne, Knapsack notices.....	1 00
		————— \$352 80
16.	Balance on hand.....	64 28
		————— \$417 08

Examined and approved,

GEO. F. GRANT,  
OLIVER HAWES,  
H. W. SNOW,  
Executive Committee.

E. & O. E.,

San Francisco, February 16th, 1885.

C. P. FARNFIELD,  
Secretary and Treasurer.

The President—You have heard the reading of the report. There is one very pleasant feature connected with it, and that is that we have a balance on hand. It is always well for an institution of this kind to have a balance on hand to pay losses with.

On motion the report of the Treasurer was accepted and approved.

President Sexton then addressed the Association as follows:

### PRESIDENT'S ADDRESS.

*Gentlemen of the Underwriters' Association of the Pacific:*—Another year has rolled around, and we again take two days from our treadmill work to meet and exchange our experiences and theories, each adding his mite to the general information fund. Our association is made up of Board, Non-Board, Free Lance and Compact; all are eligible, all are welcome, all are needed. The subjects to be discussed before the Association have been parceled out to committees and individuals, leaving your President the field of generalities to deal with, which field has been worked so thoroughly and gleaned so carefully by his predecessors that the wheat is gone, and there is but the straw and stubble to offer you.

Some one said that the business of fire insurance is to pay losses and make money; but from

#### THE RESULTS OF 1884

underwriters may hope to pay losses, but don't act as if they wished to make money. The returns are in, and are not at all flattering to the fraternity. It is always in order on occasions of this kind, to say something neat, praising the good management, tact and business ability of the underwriting fraternity; but as we are not children to be petted, I propose to change the order. I will state matters as we have them, ask questions, make suggestions, and not use "taffy."

It would be more pleasant to say sweet things if the results of 1884 had been profitable, and would justify the usual praise for the good management of the gentlemen who control and handle the two hundred millions of dollars fire insurance capital and assets entrusted to their care in the United States. But when, with no town of any size swept out of existence with no fire that burned a full first class mercantile block in any large city during 1884, we show losses and expenses, of the one hundred and forty-five companies (being sixty-one New York companies, sixty other-State companies, and twenty-four foreign companies), reporting to the New York Insurance Department, representing assets of \$177,000,000, a premium income of \$78,000,000, and losses of \$50,000,000, to be

#### EIGHT-TENTHS OF ONE PER CENT. MORE THAN THE PREMIUMS,

(see *Insurance Chronicle*, January 29, 1885), nothing can be said, other than that this state of affairs indicates more than bad luck, and nothing less than bad management.

Stockholders whose capital, and policyholders whose security was lost in the Chicago or Boston fires could blame bad luck, but what excuse can we offer for allowing capital and security to be eaten up with average losses? We are responsible to the stockholders for the capital, and to the policy-

holders for the security. The former are entitled to a reasonable profit, and the latter to solid protection. What can we do to secure these results?

The situation and the "matter with the business" is being discussed by the insurance press, the "Union Circulars" and the underwriters, each having his own ideas and answering in his own way; some blaming the big companies, some the small ones; each laying the blame on the other; some big commissions, and some plead the Baby Act, that is, "unlooked for losses" on "good business" that was written to get it on the books for the "pretty of it," and not for the "premium in it," as if they expected to do underwriting without losses, or any business to be good that doesn't pay. "Good business" is that which pays, even if it be frame, shake-roof, cotton-lined hotels in Montana, and "bad business" is that which does not pay even if it be farm dwellings in the New England States. Underwriters should be able to name a rate that would pay on the former, and might write the latter at a loss.

#### NO EXCUSE FOR LOSING MONEY.

If fire insurance were a game of chance only, we might go it blind and depend on luck, but being as near an exact science as farming, merchandising or manufacturing, we can have no excuse to offer for losing money on average losses. In fire insurance, we have before us the simple problem in geometry, viz., "Given two sides and one angle of a triangle to find the third side." We have "Reserve Fund" and "Losses" for the two sides and "Expenses and Profits" for the angle, and with these we ought to find the third side, "Premiums."

We know that we must have a "Reserve Fund"—we know how much; add a small percentage to this for greater safety, and we have one side. We know that we will have "Losses;" we have statistics to show the average, and if we add a small percentage to this for errors, we have another side. If we now figure a fair return for the risk and the use of capital, and add for expenses, we have the angle. This is the simple problem, and if properly worked out, will give the third side—"Premiums."

#### RESERVE FUNDS.

As the given "sides" or "angle" increase or decrease, so will the premiums (third side) be greater or less, and in solving the problem, let us see where a reduction, if any, can be made, and in doing so, can take our local experience and commence with the side "Reserve Funds." We have had a remarkable exemption from serious fires in San Francisco for a number of years (thanks to an active Fire Department and Fire Patrol), but must we not look for a heavy loss some day? May we not look for a fire to start in Chinatown on a windy afternoon, and sweep through the business part of the city? Can any of you look over your map, and say that your "Reserve Fund" is too large for what you have at risk? Do you not feel that for the protection of the assured it should be strengthened, and not weakened,

or frittered away in a cat-and-dog fight to get business on your books? Do you not agree with me that your "Reserve Fund" is not too large; that that side of the triangle is not too long; that we cannot economize there, and that too much "Reserve Fund" is not "the matter with the business?"

#### LOSSES.

We may now take up the side "Losses," and ask where can they be reduced? Are they too liberally paid? We sometimes pay losses that ought not to be paid; these payments, like bad debts in other business, must be borne by the community; the honest must pay for the dishonest. Would the three-quarter loss clause, as suggested by many of our friends East, help us? Is insurance over-profitable in France, where that clause is customary? Would a one-half loss clause help us? Would anything less than a clause in the policy declaring it "void in case of loss" help us? Would we not, as now, work hard to drop rates just a shade below the paying line? If the losses in fire insurance were purely a local matter, this moralizing would not apply to this Coast, as our loss percentage is reasonable; but as wrecks guide the mariner by indicating the rocks and sands that he must avoid, so should the experience in other localities be a guide for us here, as we know not how soon San Francisco will give us a call, and there are few, if any, of us who cannot pick out a single block the destruction of which would take all of his profits for the Coast in 1884. Look into this and you will agree with me that losses are not heavy—that that side of the triangle cannot be shortened, that we cannot economize there, and that losses is "not the matter with the business."

#### PROFITS AND EXPENSES.

We can now examine the angle "Profits and Expenses," and see where it can be reduced. The profits and prospects of profits part can be disposed of as readily as the old whaling captain, in his paper, disposed of the subject of "Manners and Customs" of the South Sea Islanders, for a literary society in Boston. He only said, "Manners none; customs nasty." We can say, profits none, prospects poor.

In the matter of expenses, we have figures, statistics, diagrams, mountains and valleys shown by the best insurance talent in the nation (see Hine's paper before last meeting of Association of Northwest), giving the rise and fall of the profits on insurance capital, and of the expenses; but we have nothing that all interested can agree on to reduce such expenses. Where shall we commence? By reducing printing and advertising bills? Insurance journals do not recommend that. By reducing officers' salaries? We do not recommend that. By reducing office rents? Comfort and convenience won't permit that. By reducing local agents' commissions? We might agree on that. We, like Artemus Ward, who was willing to send all of his wife's relations to the war to save the country may be ready to sacrifice the local.

It is possible that insurance journalists are too well paid, and are gathering wealth. We hope they are, because they give value for what is paid them; they earn all they get. It is possible that some officer is too well paid for his services. If there are any such present, they will please rise and be counted. It is possible that some office is too costly in its fittings, too convenient in its location, or too comfortable for its occupants; if any member occupies such an office, he will please stand up. We know locals who make a comfortable living by hard work, but we don't know any who are too well paid. Examine this closely, and you will agree with me, that

#### EXPENSES ARE NOT TOO HIGH,

and that when a reasonable addition is made for risk of, and use of capital, the angle cannot be reduced; that we cannot economize here, and that profits and expenses is not the "matter with the business."

As insurance is like farming, trading or manufacturing, we may learn something outside about the "matter with the business," and here I can give a bit of a personal interview, a few years since, with an old friend who is "hog ranching." After the usual greeting, an inquiry as to the success of hog raising brought an answer that it didn't pay. What was the matter with the business, had tule roots failed? No! Hogs die? No! Mast crop short? No! Well, what was the trouble? Don't get enough for hogs! If we interview a merchant when prices are down and profits on the wrong side, we will find that he looks for better prices, and hangs his hopes on a better market. If we interview a manufacturer, we will learn the same story.

To sum up: We have reserve funds; should keep and increase them. We have losses; can't reduce them. We have expenses; must have them, and

#### WE SHOULD HAVE PROFITS.

Where can we get reserve, losses, expenses and profit. There is only one answer, from premiums. And if there is anything the matter with business, it is that hog ranchers do not get enough for their hogs; merchants do not get enough for their goods; manufacturers do not get enough for their products, and underwriters do not get enough for their policies.

If we have correctly solved our problem, we have the third side "premiums," and to get that premium we cannot, like the farmer, merchant and manufacturer, each act as if he were a law unto himself, figure on his own experience, and be independent of each other. They each can know the exact cost to them of the articles they have to sell before putting them on the market, while we

#### CAN ONLY USE PAST EXPERIENCE

to approximate, and must find the exact cost after selling. To get the approximate cost, we must pool our experiences, work together, compare notes, admit that our co-laborer knows something, be ready to work with him, and

learn from him; compare his classification with ours; admit that we will have losses and expenses, and must have reserve and profits, and in making our rates, add a good percentage for what we don't know, and not flatter ourselves that our underwriting ability is so much superior to his, that we can cut rates, sell policies for less than cost, and make profit for stockholders.

In the matter of adding to the rate for what we don't know, we might ask ourselves if we do not cut too fine, if we do not figure too close, if we do not drive too near the edge? A story is told of a timid gentleman who advertised for a coachman who could drive close to the edge of a cliff and not drive over. A number of applicants told how near they could drive; some could drive within an inch, some half the width of the wheel-tire over, but one, when asked, said he didn't know, never tried it, always kept away from danger. He got the place.

Do not we rely too much on our knowledge of the cost of carrying the risk from

#### THE HAZARD AS WE SEE IT,

and are we not too ready to ignore the fact that there might be some threatening hazard that we know nothing of. We had an experience of this kind, a few days ago. Most of you were interested in a nice iron stock in a water-proof basement, damaged by leakage through basement wall (above the water-proof line) by water thrown on an adjacent lot, at a fire in high-rated frames a few doors away. Did any of you figure on that hazard? Were you legally responsible for that loss, and if so, were you not entitled to recover from the owner of the building, because his building was not as represented; or, as marine men, who figure finer than we fire underwriters do, would say, was "unseaworthy." I do not question the payment of loss under such circumstances, but should we not charge for unknown and unseen hazards, and pay the losses under them?

#### PACIFIC COAST UNDERWRITING.

If we have found the "matter with the business," can we afford to lose the good name earned by Pacific Coast underwriters in paying losses and making money, in giving liberal indemnity to the assured, and reasonable profits to the stockholders, by cutting rates and selling policies at less than cost. If we are a very small section of the insurance circle of the United States, and only represent about seven per cent. of the premium income, must we not exercise as much care to make that seven per cent. respectable and profitable as if the other ninety-three per cent. was under our control? Was not our success in the past due to the Board organizations? Did not the non-Board companies make money because the Board rate would bear shaving? An active non-Board manager said that he wanted the Board kept up, because he could cut a little and then get a good rate. Must we not stand by any organization and be ready

to adopt any measures that will fix rates to make up the premium side of our angles? Must we not do all we can in assisting to build up, and if needed, must not each one sacrifice some present advantages or methods of business to build up and sustain the Compact Union? Can we do without it? Does the experience of any of us, for the last six months, warrant trying to do without it?

The whole "matter with the business" is in your hands and depends on the success of the Compact Union. By not supporting it we will show bad management, and certainly no profit. By supporting and building it up, we will show good management, and probably a profit.

#### APPORTIONMENT OF NON-CONCURRENT LOSSES.

We, like other associations, are wrestling with the vexed and unsettled question of apportionment and contribution of non-concurrent insurances, and while some of us, like others who tried it before, dispose of it readily and to our own individual satisfaction, the difficulty of getting others to understand our theories and of getting all to agree on any particular rule, and then incorporating such rule in our policies, is such that those who have worked at it most find it discouraging. Would it not be well that, as the larger portion of our members are not directly engaged in adjusting, and do not have time to study up the different rules, or follow the theories of the authors, that each office refer the whole matter to its adjuster, and ask him to report the proper rule to adopt, and then that the managers incorporate such rule in the printed contract in the policy? Would not such contract, if definite, be held to be good between the company having it and the assured or other companies?

If the arbitration clause and the ownership clause, as printed, the co-insurance clause, and average clause, as written, are held to be good, why should not an apportionment and contribution clause be held legal? One of our members, being in advance of the balance of us, has an apportionment and contribution clause printed in the conditions of his policy, and while its legality has not yet been tested, he informs me that he has had legal advice in its favor, and could find no decisions of courts against it. Equitably, could there be any objection to such clause? Would not a general policy containing such a clause be more favorable to the assured than a specific policy, as the latter places a specific sum on each item, and the former would float with amount of loss or value according to its form? The discussions on this point have called attention to the necessity of care in policy-writing, and has been the means of making us more careful.

#### ADJUSTING EXPENSES.

In the matter of adjusting expenses, would it not be prudent to make a reduction in the per diem, except in large losses, where special contracts might be made for special services? The per diem in Colorado and in the West is not near as large as with us, and as the discomforts of travel as in stage-coach days are things of the past, we might economize here.

Our rules in relation to the assured paying adjusting expenses (known as the T. & A. clause) might be amended to read, that when any policy on a loss contains the traveling and adjusting clause, that the adjuster sent by the office issuing such policy shall, if required or permitted by the assured, furnish copies of his proofs and papers to all offices interested in such loss, and if such proofs and papers be not satisfactory, then such offices may, at their own expense, send an adjuster. When a loss under a policy having the adjusting clause is adjusted by an adjuster having other losses in same locality, then such assured shall pay only pro rata share, with the other losses, of said adjuster's expenses.

I would further suggest, that where an adjuster is telegraphed or written to when on the road, to attend a loss, that the per diem and expenses be charged from such time and place, to place of loss and back to place of receiving the order.

#### A SUGGESTION.

Would it not pay to have all papers read before this association, since organized, printed in book form, paper cover, by subscription from the offices? Would not such a book, containing, as it would, the experiences of the many and the theories of the few, be valuable to agents and specials? Would not a new special, who will read the papers of W. L. Chalmers on Adjusting, George F. Grant on Special Agents, and W. P. Thomas on Local Agents, at last session, twice a month, know more about adjusting, special work and local agents at the end of his first year, than in five years without them? There were other papers of merit, but I refer to these because they bear directly on a special's work, and give information from actual experiences, boiled down.

In conclusion, I beg to return my sincere thanks for the honor conferred in electing me President of this Association, and also to offer humble apologies for want of time to have given you the services that you deserved.

The President—The next in order is the report of the Executive Committee.

### EXECUTIVE COMMITTEE'S REPORT.

SAN FRANCISCO, 17th February, 1885.

*Mr. President and Members of the Association of the Pacific:*

The President having given instructions, the Secretary addressed a communication directing the Chairman of the Executive Committee to make a report.

Your committee would respectfully call attention to four excellent reasons why a report is inexpedient at this time.

FIRST.—The multiplicity of calls from various directions to attend meetings. Meetings of compact, meetings of association, board meetings, en-

quiry meetings, special meetings, adjourned regular meetings, continuation of special adjourned meetings, annual meetings, meetings legislative, committee and fire patrol. These meetings have so far during the year prevented that strict attention to business (on the part of your committee) which is the secret of success. It has also disturbed the serenity of mind and irritated the nerve of your committee.

SECOND.—It is not customary for the Executive Committee to make a report. They do not find a precedent for such demand, and further, your committee would respectfully suggest that such a report is unconstitutional. Section 6 of the by-laws provides for the appointment of committees in the following letters and figures, to-wit, viz:

“The President at the annual meeting immediately after his election, shall appoint the following standing committees, to consist of three members each: 1st, Local Agents; 2nd, Forms of Policies; 3d, Losses and Adjustments; 4th, Legislation and Taxation; 5th, Fire Department and Water Supply; 6th, Statistics; 7th, Library; which committees shall make written reports at each annual meeting of the Association.”

Your committee do therefore and upon these grounds as above and before stated, demur and pray for a release from the obligation of making the herein aforesaid report.

THIRD.—The duty of the Executive Committee is freely and fully defined in Section No. 3 of the by-laws, as follows:

“The Executive Committee shall have charge of all financial matters of the Association, audit all accounts and during the interim of meetings of the Associations, have charge of the affairs thereof.”

The financial matters of the Association are of prime importance, and your committee have been ever willing to take charge thereof; they moreover state that they have been hampered, disturbed and embarrassed in the discharge of this duty—they would particularly call attention to the expectant attitude which they have borne for the twelve months last past, waiting with commendable patience an opportunity to take charge of financial matters of the Association. It is of record that in February last at the annual meeting one of our esteemed members donated \$50 for the benefit of the library, and another, one of the original promoters of the Association, was kind enough to see the gentleman's ante and chip in a similar amount, and both of these worthy people volunteered to further raise a fund large enough to purchase all the insurance works in print. Without wishing to infringe upon the subject matter of the Library Committee's report, your committee would say that up to the present time, these donations have not in any manner become a part of the financial matters of the Association—which they deplore.

FOURTH (and lastly).—This Association has no Executive Committee. This statement is made with due respect, Mr. President and Gentlemen of the Association by the Chairman (who holds no authority) of the committee (which has no existence). Article 4 of the Constitution reads: “The officers

of this Association shall consist of a President, Vice-President, Treasurer and Secretary, also an Executive Committee, which shall consist of three members of the Association, all of whom shall be elected by ballot at the regular annual meeting of the Association." Were they so elected? They were not! far from it. In conclusion your committee would like very much to know, how, when, where and by what means they were supposed to have an existence.

GEO. F. GRANT, Chairman.

The President—Gentlemen, you have heard the report of this committee. We will consider that a vote of thanks has been rendered. The next in order is the paper of Mr. H. M. Grant on Local Agents.

### LOCAL AGENTS.

*Mr. President and Gentlemen*—It was not a spirit, but a Sexton (somewhat akin) who said unto me, "Write!" when he appeared to me the other day. Something must be had from this committee, and he might have added, that he was on a Hunt for a Mann to Grant his request for it. Recognizing what would have resulted in the way of beneficial information from a Hunt, or from the ponderous Mann sandwiched so generously on the committee, with evident design on the part of our good president to furnish unctions meat for our delectation, the writer accepts this duty in their stead with diffidence and misgiving, fully aware that if at any time he could do it justice, at this late moment, with lack of preparation, it could not be expected, and he must apologize for a hurried and superficial treatment of this report. It is well, perhaps, that this statement is made here rather than at the concluding festival of this occasion, else the sweet, melodious strains of that well-known, delightful refrain, "So say we all of us," might be heard floating softly on the circumbient air, to the greater embarrassment of the consideration of the topic in hand—

### LOCAL AGENTS.

An important theme, one that has been often and repeatedly handled, dexterously and well—a theme old and worn. The truths of Gospel, too, are old and worn, yet they are preached and preached. Depicted by an eloquent mind, they become convincing, instructing and beautiful. The homely expression of any truths serve to direct attention to them, to some good. Of such is the importance of our theme.

The local agent has been likened unto a rock on which was built the whole successful structure of company's business—the foundation stone; and aptly so, and even more, for the simile is not exact. He is the careful gardener and tender of the field in which the tree is planted, causing it to grow and be nourished by his industrious, skillful and faithful care in attendance, culti-

vating the soil, keeping down the weeds—and he has lots of them to keep down; he is the source and promoting cause of its growth and development. The local agent may be assured of his importance and worth and necessity, and the estimate the managing powers put upon him in this regard; and at the same time he should observe how much depends upon him to do his part well as the central figure.

To the local agent we would say:

#### BE INDUSTRIOUS.

Yours is a business of industry. What business is not? but yours, perhaps, preëminently so. Success attends the industrious agent in the measure of his efforts. You have the wares which the public want and must have, as they must have sugar and salt; but it is so ordained by general custom that they will rarely come where it is sold, to seek it as they will these commodities. They expect to be sought and treated with. You cannot sell so many goods of any kind as your neighbor unless you solicit custom, and ask for patronage, as he does.

#### SOLICITING.

Many agents there are who look upon soliciting custom for insurance as somehow not altogether reputable or just the thing, or something just a little to be slurred, and not quite up to a dignified thing. Why should there be any greater hesitancy in asking a man's patronage for an insurance policy on his house and goods, than for the sugar you want to sell him, or for the law which you may expound for him. He is going to have, must have, insurance and sugar and legal counsel, and *you* can supply him with it. What is every newspaper advertisement, or show-window, attractive prize label, the sweet and honied phrase, the wining, dining, etc., but soliciting in one form or another for custom and patronage, each after its kind? Shall the insurance agent be ashamed of his righteous calling, and deem it anything but the same kind of soliciting to ask for patronage for his insurance wares, or deem success attainable without like effort as his neighbor?

#### A VITALLY IMPORTANT CALLING.

Know this, that your calling is one of prime importance in the commercial and every day world, and without it the wheels of commerce, industry and trade could not move, and all credit be stagnated, and individual distress stalk the land; of greater influence than banks and financial institutions—for, without it, they could not conduct their business. Magnify your office and your calling.

It is a plain matter of business, and what you can offer has merits, as your neighbor's goods, that should be told, made known, and like them, an active market sought; and when you find the incorrigible man, who is unfortunately blinded to his own welfare and so steeped in ignorance and folly as to hesitate to partake of the benefits of insurance, it is your duty to labor with him

even as the Christian friend would labor with the erring, as your neighbor labors to convince his patron of the worth of this or that pattern, kind or brand.

#### A CONDITION OF SUCCESS.

It is not enough to have your books and papers and your signs, and to speak about it now and then. Labor for the business with energy and determination to do your level best. Read and study about it, look into it, be familiar with it and interested in it. You don't need to carry a four-inch auger with you—in fact, you should not possess an auger of any calibre, but let your victorious arms be persevering, painstaking, active industry. Pursuing this course, you cannot come short of success. Success aggregates to itself success, and you shall have more abundance.

#### ANOTHER INCENTIVE.

At this time, when by agreement on rates and methods in which all companies concerned are united, "all save one," there is renewed incentive for industrious work, and promise of corresponding reward. Now, more than at any previous time, the individual efforts of the local agent will score marked success. Improve it industriously, not alone for the promotion of companies' business, but for the ducats which will result to yourself.

Again, we would say to the local agent:

#### BE CAREFUL

in the selection of risks, in the manner of reporting them, in the frequent changes which may occur in the risk, and in all that pertains to the records of such changes in the policies, endorsements and reports, in ratings and recommendations and descriptions, in attention to instructions and directions given by communications by the home office and by its special, to correspondence; in short, be careful always in your business for the company, which, while easily comprehended, involves important issues.

Let not your ambition to secure business obscure the important aim to you and to the companies, to help them to make some money. That is

#### THE END AND AIM OF THEIR EXISTENCE,

and the reason for your agency. They furnish a vehicle for your making a good deal of money, but that isn't altogether what they live for. An injudiciously selected risk by reason of physical conditions, location, occupancy, trade, or of moral hazard in it or its immediate surroundings, may cost your companies their profits of your agency for many years. You would not mean to do it, no honest man would, of course, and all insurance agents are honest; but in your race for business, do not outstrip the fellow alongside called Prudence, and the same reasoning care should be exercised as in matters of your own business.

## A HAZARDOUS BUSINESS.

Ours is a business of hazards, and we are ready to accept them; it is our meat and drink and the very nourishment of our bodies corporate. We can't tell what will or not burn, or make but the shrewdest guesses, but we can so hedge them about with carefulness and prudence and observant regard of conditions, and turn the calcium light of varied experiences upon it, as to say this risk or that one is a proper hazard to put in our pouch, digest and assimilate, without fear of internal commotions, colic pains, distress or convulsions, and this or that one to reject for fear of these dire consequences. This, the local agent is not always so well able to determine as the one who more intimately inspects the daily diet offered to this before mentioned corporate body, who anxiously attends to its nourishment and growth, sits up nights with it, it may be, and pays its doctors' bills.

## THE MANAGER MISJUDGED.

This scrutiny is sometimes misjudged by the local agent, and when this magnate who sits in cautious judgment in dissection of the royal feast before it passes to the royal palate, discovering one or another dish not compatible with the internal organism, returns it most graciously and delicately to the wondering donor, he, the diligent, well meaning local, rises in scorn and tumultuous ravings, and declares, oftentimes in terms inelegant, that such action is arbitrary, ill-judged, discouraging, captious, all forsooth, because it is not seen, by the aid of wider vision, as he sees it in his local field.

This should not be. There should be that rapport between both ends of the line, that the local agent may rely confidently upon the judgment of the manager. While sometimes he may be thought to be, and is, "finicky," as to a certain risk, or line of risks—nobody but the Pope is infallible—yet it is his aim and effort, recognizing the need of the corporate body which he serves, for nourishment and sustenance, and his own ambition that it shall grow in stature until its premiums and its assets shall be the envy of fellow laborers and a bulwark of strength and proverbial reputation to his patrons, and recognizing too the industrious and cordial efforts of his mainstay and support, the local agent, and the trials and tribulations of him; does he not trouble and rack his brain to judge rightly, and foster the local agent in his work and be consistent with the proper management of his company's interest.

It is by this judiciously combined thought and care and regard as to all points, that is created, with the aid of the local agent, and maintained, that enviable premium list, and that bulwark of strength and proverbial reputation, without which the business is an idle one.

## IRRITATING CARES.

But does the local agent say that the proffered food is not always returned graciously and delicately. Set it down, if ever it so happens, to the crowd of cares and thought which surround the Manager in his duties, or the des-

peration of combined perplexities, for not one of them but regards his reliance and dependence upon the careful local, and shares his ambitions to secure a well filled *ménu*.

The chief taster of the viands served before his master likes them well seasoned; properly seasoned with the savor of rates the local agent will take pains to see that the condiments are supplied in quantities requisite. In addition to the care in selection of the risk, should be that a proper rate accompanies it, one commensurate with the hazard, and variable with the conditions of the hazard. This is a truth too well known to be told, but what temptations beset the local agent in this respect, how is his heart troubled about it, how many conflicts arise within and about him.

#### IMPORTANCE OF ESTABLISHED RATES.

A local agent may sometimes fail to see how ten cents on twenty-five, or a dollar per hundred, can make much difference, and will clamor perhaps for a revision of some rates now happily established by general agreement. It is only a matter of ten or fifteen dollars, and if the risk burns it will be but little difference anyway; but he must know it is not that individual risk that the calculation is based upon. Ten or fifteen dollars does not make much difference in the gains or losses of a company, but it has the effect of taking that risk from a class of thousands, which the calculation is based upon, and putting it in a class of thousands where it does not belong, pulling that class down accordingly. It cannot be done with impunity. You cannot add even a little benzine to refined coal oil without its giving to all of it the ready inflammability of benzine.

The local agent should know that the requisite rate is an essential element, and guard that part of his business as zealously as an element of physical condition or moral hazard. It is the life and blood of the business. Thanks to the beneficent doings of the Compact whereby there is Union in our happy family, like most of families too with its skeleton in the closet, this matter of rating is more plainly indicated, and much of the agent's responsibility and trials removed.

But who shall say that for a while lately it has almost seemed that the supreme taster would take his without salt, just a little fresh! Some of you have seen ludicrous "companion" pictures of the darkey waggered to eat a brace of crow daily for so and so many consecutive days, how the black cook who serves it up, and the primarily incredulous betters look with countenances of dismay as brace after brace is rapaciously and with serene satisfaction stowed away, until the scene approaches the "last lap," and the cook, with sardonic cachination marked on his visage, brings in the brace of revolting birds, their feet up as they lie in the platter, claws defiantly clutching as it were at the poor victim's vitals, and their black heads contemplating him as with devilish intent, crow unmistakable, and the poor reluctant darkey, his eyes rolling white on his cheeks, and tongue thick, protuberant and lolling, chest and other vital parts heaving, is deprecatingly urged forward in the arms of his atrocious vanquishers, exuberantly beaming with the

delight of their confident success, to taste the last of the whilom tempting morsel. "*In hoc signo.*"

Once more, to the local agent we would say,

#### BE FAITHFUL.

You have a peculiar position to fill. From the nature of things you exercise a dual capacity. You have your duties as a contracting party for the companies you serve, and for your clients, friends and neighbors with whom you live and move and have your being, and mutual interests and sympathies. This position should meet your most candid and impartial service. It is not asked that you abate a single element of interest in your friends and neighbors—there is no occasion for it; but that you swerve neither to the right nor to the left, neither in representations, applications nor in times of adjustment of loss; acting in strict impartiality to each in word and manner.

Each of us of the visiting fraternity has met the local agent in his every phase, and he presents many. The ranks number Mayors, County Judges, ministers, lawyers and doctors, merchants, clerks and carpenters, capitalists and those whose only capital is their energy and ability, some ladies, and the specialists who live by insurance alone. In this category all degrees of proficiency and efficiency, all dispositions, are met. Few there are that are not able men, good and true, faithful to their charges, competent and reliable. I question if in any other calling, so many men, of all habits and conditions and dispositions can be brought together, empowered with important trusts of contracting for their principals, and custodians of funds, that are so universally faithful to them, so universally gentlemanly, honest and honorable.

#### THE UNFAITHFUL.

Each of us notes exceptions to strictest faithfulness, where the commission is so eagerly sought as to prompt a leaning to get business at almost any hazard short of direct misrepresentation, men who will crowd to the utmost every facility they have, yet not downright unfaithful or betraying their trusts. Let the local agent be impressed with the fact that his commission is incidental to faithful performance of his full duty to his company, rather than paramount, the greater careful regard he gives to the trust and powers given, and the true interests of his company, the more solidly and firmly is his business built up and promoted, in the regard of his companies and the community, and consequently the more assured and augmented his income from it. The tempting present commission to be gained by some off-color proceeding counts little in comparison with the firm establishment of his business. Better would it be for all concerned if the agent, instead of being remunerated by commission, or commission alone, should receive a share of the profits of the business in his field, as might be done in some fields.

We find exceptions too to the faithful custody of funds received for premiums. Such exceptions are few compared with the whole number, but we

all know of flagrant ones and too many minor ones. A local agent is utterly without excuse for any short comings in this respect. Managers of companies are without sufficient excuse for permitting it to assume proportions. As to the Manager, he is of long-suffering disposition; will often forbear beyond his good judgment out of regard for the convenience of the agent and perhaps his specious pleas; and out of regard for his active and capable efforts often, in every other particular, and because often deceived; and his special too, and credulous of promises, he is left to sing a mournful song as a reward for his pains and consideration. The remedy is to sternly and steadfastly collect.

#### SHOULD REMIT PROMPTLY.

As to the local agent, nothing is simpler than to remit his collections less his commission. The commission only is his. Why will not even honest and honorable men who are guilty of this sin of neglect, comprehend this and act on it? The local agent cannot afford to be slow and irregular in his remittances. However honest he is, and it is one of the last accusations, that of dishonesty, that a Manager is prepared to harbor against his local; he cannot with justice to himself put himself in a position of seeming to withhold funds that he has collected. He cannot afford to seek to excuse it on the plea of slow collections. He should collect. Collections are presumed.

#### CREDIT.

The evil of credit on premiums is an ever increasing one and needs to be strenuously combatted by the local, and overcome, as any other evil that have crept in. It has opened a wide door of consequences. When the Compact shall have added to its tenets of faith that it is an unwise, bad, and altogether immoral practice to suffer credits either in local or general agencies for a longer time than thirty days, a great good will have been accomplished. This evil, having its rise in competition, the manager has no gauge whereby to measure its "pressure" in these cases. The safety valve alone whistles the alarm, and he has not weighted the lever very heavily. Remit always faithfully your collections. Collect always closely your premiums. The Manager wraps within his soul the local agent always prompt with his remittances.

#### AGENTS' COMPLAINTS.

Various are the complaints we meet with, with the local agent, most of them on subjects which have long been too obvious to the home office, and which are now undergoing reform. Among others we have noticed already the ire, or disappointment, or grumbling, seldom perfect satisfaction, with which cancellations and declinations are received. Others relate to the multiplied variety of forms of application, daily reports, and account currents, and requirements of the different offices in this respect, hardly two alike, each arriving at the same thing, some cumbersome and antiquated, others in which the extreme of simplicity seems to be carried to the extent of lack of necessary information.

Much need of reform exists here, and out of the multiplicity of material surely one form and style could be evolved much to the satisfaction of the agent and simplifying of his work, while every way satisfactory to the intelligent forming of the contract. There is much in this to be commented on which time prevents now to elaborate.

#### CITY BROKERS AND COUNTRY RISKS.

The matter of writing country risks through city brokers is a frequent cause of complaint, for your agent is a jealous agent. There is much justice in it; but in vain we seek to show that the circumstances of business sometimes demand it, while yet it is not countenanced as a rule by the home office, and in vain we urge that the agents' interest in his companies should prompt him to favor their so receiving a line of business which he cannot himself control or secure. He refuses to be comforted.

Others of his complaints concern matters more impracticable of reform, and grow out of local complications or the absence of wide experience. Various and valuable are his suggestions which are sifted and appropriated, and add to the experience of us all.

#### THE COMPACT.

A new era is inaugurated which should gladden the heart of every local agent. A new Gospel of Peace is proclaimed throughout all the land. This day of our assembling here becomes almost the very inaugural day of the promulgation of the new doctrine in every city and hamlet within the uttermost bounds of our oppressed territory. The Compact becomes a fixed fact. Brought to light in protracted labor accompanied by commotions and convulsions throughout the physical and civil world; France has waged war on China; China has threatened Japan; England has sought to "spoil the Egyptians" and met "false profit" in the undertaking; the Democratic party has overturned the ruling dynasty; the Presidential election has pointed relevant allusion to matters of high tariff and free trade, low tariff and no tariff at all; even earthquakes have been aroused and the foundations of the globe have trembled; while the Compact has been in the throes of birth and evolution out of chaos, and shaped and moulded and fitted into the beatific image we see and hail. Let no longer the sorrowful wail go up from the local agent and fall on our too accustomed ears, of close, wrecking, rending competition. Now does the dawn of a new day appear, and agents all may take courage, heart and hope, and fill the bright day with noble actions done. Sheathed be the fratricidal and suicidal sword, and ceased the "cutting and slashing" by it.

The local agent will find his work simplified under the ratings and rulings of the Union. Let him give it his ardent, earnest support. If so be "offenses must come," let him remember that it is in its infancy and taking its first step. Time and practice under it will smooth out any asperities, tone down any incongruities and correct any errors of fallible man, when it shall walk

firmly and erect in fullness of vigor, and all names and conditions of men and companies shall rise up and call it blessed.

Concluding this paper, let me say, in summing up, to local agents: Be industrious, Be careful, Be faithful, these three, and not one of these three is greater than the other.

H. M. GRANT, Chairman.

The President—I rise on behalf of the Association to thank Mr. Grant for his excellent paper. He speaks about not having much time. He has had, I think, ten years. I have known him as banker, business man, local agent and special. It contains instructions for every local agent, and it will be a very valuable paper. There are some good points that I will have to let you discuss: particularly that in regard to soliciting, which is an extremely good one. I might add that it would be a good thing if agents were asked to insure their own property. A gentleman of a prominent company here, living in the country, lost five thousand dollars by the burning of his warehouse. If that company had been properly represented, we might have paid some of the loss. There are a great many good points in that paper, and I would like to hear some of them talked over.

Mr. Carpenter—Referring to the subject of the risk: The gentleman picked out a risk that would not burn. To my knowledge he has insured all his risks. He did not insure the warehouse, because he did not think it would burn; and that was the only one that did burn.

The President—That proves that even an agent is not fire-proof.

Col. Kinne—Since you have referred to the matter, I think we ought to have some little talk over these papers, possibly take some of the good advice to ourselves, although we have been doing that for a good many years. We talk about the papers, and say what we ought to do, and we go away and do nothing. We appoint committees to investigate in regard to the matters of the papers and who are expected to report at a subsequent meeting, a month or six weeks hence; which is the last that is ever heard of it. We meet here right straight along,

listen to papers, say how well he has done this, and how nicely he expresses that; and that is all that it amounts to. It has been suggested that we have something said about it; I would like to have you advise us of a plan by which we can do this.

Mr. Dornin—If I remember right, at the last Annual Meeting I made a suggestion which took the shape of a resolution, and which was adopted, that these various papers be taken up in order at our monthly meetings. These papers should be thoroughly discussed. It is entirely within the province of the Executive Committee to take up these papers and digest them, for there is a good deal of force in what the Colonel has said. We listen to these excellent papers, which have taken up a great deal of time and thought in their preparation, and we say "how well he has rounded his periods"; but, as far as any effect on the Association is concerned, they are all lost. This is a matter in which he is personally interested, and he may have something to say about it.

Col. Kinne—I look back upon the minutes of last year, and see that Mr. Dornin was at that time about the same in his ideas as he is to-day. Referring to a report on "rules." He said, "Now, I move that this matter be referred to a committee specially appointed, a sort of a jury of experts, and that the matter may be thus brought up at the next meeting, and we can have a general discussion." The motion was carried, and Geo. D. Dornin was appointed Chairman of the Committee, and Mr. Chalmers and others were appointed members of the Committee, which is the last that was ever heard of that Committee until to-day.

The President—I would suggest that we keep to this question of Mr. H. M. Grant's paper.

Mr. Geo. F. Grant—I will advance the proposition that these papers, although not discussed at other meetings, by no means lose their weight or significance. There is not a point of originality, there is not an idea advanced in any of these papers that does not meet with immediate recognition from every mem-

ber of this Association. When these proceedings are published, they become part of the special agent's literature, and you will find these books containing the report of the annual meeting in the satchel of every traveling insurance man, and, during the year, when he is relieved from the cares of active business, and has time to devote to reading and thought you will find him studying these very papers. I have noticed this particularly during the last twelve months. If any member thinks that the time devoted to preparing these papers is wasted, he is deceiving himself, and if these papers never are discussed, and in the multitude of duties that crowd upon us, we are never able to bring up the subject of any of them for discussion at our meetings, still the seeds that are sown will spring up and bear fruit. The entire insurance business, and every member of this Association, and every member of the insurance fraternity, is benefited by it, and it is no reason for discouragement that these papers are not discussed; if those called upon to prepare a report upon any important matter to be read before this Association fail to respond they are wanting in their duty to themselves and to their business associates.

Mr. Gunnison—I wish to say that I think the report which we have just heard read by Mr. H. M. Grant, goes far to carry out the ideas that I advanced some time ago; that we ought to do all that we can to bring out the new material in this Association. For some years it has seemed to me to have been run by the old crowd, but I believe in getting the new and younger members to come forward, and would suggest that, whoever is elected President this year, appoint his committees from the new members. We seldom, if ever, have listened to a more beautiful report and a more practical report than we have just heard read. When we notice his manner and tone of voice, and the tone of morality in his advice all through that paper, we can hardly help thinking that he has happily, very happily, mistaken his calling. In mistaking his calling, the churches have lost a worthy minister and this Association had gained a great acquisition.

Mr. Dornin.—I think the credit system referred to in Mr.

Grant's paper is largely a matter of local concern to us here. The custom on the other side of the mountains is to balance accounts with the agent at the close of each month; that each agent be expected to return his account current within ten or fifteen days after the close of the month. This was my experience as Secretary of the Firemans Fund. There were very few balances carried over. The evil on this Coast has grown, there is no doubt about that. I think 30 days has been extended to 60 days and 90 days, and the records will show that much of the assets of the companies is in the shape of premiums in the course of collection. It is a very serious evil, and has grown to that degree that some of the companies have taken up the note system, and are willing to give over a year's credit. This evil, however, is, to some extent, under the control of our compact system, from which great good is expected. The regulation of rates and the matter of agents' commissions is equally as important as this matter of credits. Whether the abolition of this credit business in the country, where farmers have no money and are always willing to give their notes, is advisable, is an open question.

Mr. Gunnison.—I wish to add, also, that one of the greatest dangers to the credit system is that our local agents and many of our general agents have fallen victims to embezzlement, which has been brought about by this system of giving credits. The local agent finds that he must make his collections in 30 days, and if not in 30 days, in all cases not run longer than 60 days, and he collects a premium perhaps, and on delivering the policy he does not feel it incumbent upon him to send that money. Therefore he waits sixty days before sending. We all know the temptation of a man when he has money in his pocket, to spend it. The result may be that, at the end of the month, he does not happen to have the money, and when the 60 days has expired he does not have it, and he makes some excuse or other, and allows it to run on. It goes from bad to worse, until at last he is accused of embezzlement. The man is ruined, and all through our credit system.

The President.—If there are no further remarks, we will pass

to the next subject, "Local Agents, by a Local," by B. B. Lee, of Red Bluff, to be read by Colonel Kinne.

### LOCAL AGENTS—BY A LOCAL.

*Gen'lemen of the Fire Underwriters' Association of the Pacific*:—I have been requested by your esteemed President to prepare a paper for this meeting which would embody my views of the insurance situation, and from a Local Agent's standpoint. This modest request was made in an apparently off-hand manner—and just as if it were a matter of course—and I was, *par excellence*, the very man for the work. I fell into the trap, but have since discovered the consummate science that he displayed in extracting this promise. As soliciting is one of the first lessons in insurance, permit me to divulge the whole play.

He wants this paper and he wants it bad. This meeting will close his official career, and he desires to step down into the ranks with a record, and as having given you a fair entertainment. He does not come to me while the flush of victory and gratified ambition mantles the brow of the eighth President. The bleak winds of March are blowing then, and he knows that I am not tractable. Neither does he come in the quiet balmy month of May. But he waits and bides his time, and when the scorching sun of July has reached the zenith of heat and sweat—when the thermometer is 110° in the shade, and I am bowed down with the cares and anxieties of a million dollars grain insurance, he strolls in upon me. I am tired and worried, and the sight of a special brings forth a curt, "Well, what's the matter with you, now?" "Nothing, my dear boy, nothing," he replies. "Only just stopped off to rest between trains." I try to make him mad by telling him that I have cut his grain line—away under last year—but it's no go. He only beams the brighter, and says, "that's right, give the other boys a chance. No risks, no hopes to pay." And then his talk becomes breezy. The mercury falls a little, and I cool off, and I admire, and proceed to mentally weigh him. I begin to grow in my own estimation by the comparison, and soon feel that I know just as much about everything, except the Sexton Rule, as he does. He builds upon this belief, and lets himself away down below my level, and finally requests as a great personal favor to him, and this Association, that I spread myself on paper. This modern Judas betrayed me with plain, common "taffy," nothing else. A Chinaman would have seen through the whole scheme, and kicked him out of the office. Ever since then a single peanut would tip the scales against me. I have felt too utterly thin and transparent for even an average shadow. I desire to be flayed alive. I would like to have all the sins of the fraternity tied to my coat tail and be whipped into the wilderness as a scape-goat for you all. For these reasons—not the promise, as that was obtained by fraud and therefore illegal—I shall endeavor to say my little say, in about the plainest pos-

sible language. I particularly desire "trouble," and if I make a point and hit anybody, "I am at their service."

But to the paper :

"LOCAL AGENTS."

There is no question but that the insurance profession contains many men of rare ability and extensive business experience. It is also certain that none of the professions contain so many men who are wholly out of place, and utterly incompetent for the duties required of them. It is no rare sight to see a special, regularly traveling for a company, who does not know a man in two-thirds of the counties comprising his field. Yet such a special is expected to make business and help the local to extend his lines. There are managers and general agents by the score who never ran a local agency an hour. Generals who never shot a gun or smelt powder are not apt to lead an army to victory. And these gentlemen are supposed to be able to direct and dictate the policy and management of a local agency. No wonder the fire waste is growing to such enormous proportions.

GRAVE RESPONSIBILITIES.

It is an indisputable fact that there is no other occupation that bears a fractional part of the responsibility to the world that ours does. An ignorant doctor may kill a patient now and then. A negligent lawyer occasionally ruins a confiding client, and the loss and damages are but a trifle when compared with the ruin and devastation that a member of the insurance fraternity can accomplish in a very short space of time.

It seems to me that it is perfectly proper for each and all of us to talk plainly, try to thoroughly analyze our different practices, and set diligently at work to strip off the gauze of prejudice and time-honored custom that surrounds and hampers our every action. We should endeavor to deal with the actual condition of men and things, and show up the humbug if any. I may advance a ridiculous idea, and promulgate an impracticable proposition. If I do, show me up. I will not be the only erring theorist in the profession, by a large majority.

I remember an eminent insurance secretary who wrote a polished and elaborate article, likening the business to a grand and perfect piece of machinery. The President, Secretary, Directors, Counter man and special agent, each filling their respective parts—each polished, well-balanced and making a perfect whole. The local agent he described as

THE HOPPER,

through which the raw material for manufacturing dividends was steadily fed. An eminent President writes a circular letter to his local agents, which is so full of sound business sense, and conservative loyalty, that it attracts the attention of the whole insurance world. And yet both of these able and experienced underwriters have received the sympathy of every intelligent local for the unpardonable errors in several of their propositions.

If Mr. Secretary had only given his subject proper study, he would have named

#### THE LOCAL THE FEEDER OR PRODUCER,

and not the hopper of the machine. He would have known that 90 per cent. of the business is actually *made* by the local agent. That the great name and fame of his company is made wholly and entirely by him; that nothing is fed through him; that he teaches the necessity of insurance, shows its value, and that more properly the Secretary or the postoffice box is the hopper, and a matter of indifference to him or the assured upon whom the honor falls.

Mr. President's letter was a master-piece, and the ring of pure gold that it had still lingers in my ears, unwilling to depart. But when I cast my eyes over

#### THE TWO THOUSAND AGENTS

on the Pacific Coast, and see the good, bad and indifferent material composing this army, I must say—Go to, Mr. President! You preach but you haven't the backbone to practice. You know and show what the qualifications of a good agent are, but you never in all your insurance life tried to make one.

And so it is at every meeting of Insurance Associations. Article after article is written by able men. Men grown gray in the service; and yet they all continue

#### IN THE SAME OLD RUT.

The enormous fire waste is shown up, and all sorts of theories put forth as to its cause, and ways and means devised for its reduction. Commissions and rates and the three-fourths clause, and a thousand other things receive ample attention; but in every single instance the cart is deliberately hitched up before the horse. Why not commence at the right end—at the head and front of the profession, and that is the local agent. He is responsible for more of this increasing fire waste than any other element. You are responsible for

#### A MISERABLE SYSTEM

that offers no inducement to an energetic, competent and honest man to perfect himself to fill a position requiring such intimate knowledge of men and things, and having attached to it such vast responsibilities. Devote more of your time to making insurance men out of your local agents; and give them the opportunity and encouragement to become such. Remember that he *makes* all your business, and by the least carelessness wipes out all your profits for a life time.

You may do a counter business of ten per cent., but the agent sowed the seed that brought it to you. Not one man in a hundred knows anything of you, or your company, except through the agent. Your President, Secretary, Manager and Board of Directors are but figure-heads for reference. He points to you and extols your wisdom, success and business capacity. If

your record is clear, you help him, but you alone would not take in ten per cent. of your present premiums.

Now let us see how

#### THIS AGENT DELIBERATELY LIES

when he lauds your business ability. You pay him a commission on the net premiums. You deliberately make his interest antagonistic to the interest of the stockholder and the company. The interest of the company is to make dividends, and that of the agent ceases when he has pocketed his commission. When he has secured that he goes for another risk, and *must* be totally indifferent whether you make a profit or not. There is no gainsaying it, no resisting the fact, that right here lies the germ of all your troubles, the foundation of all your immense fire loss. The agent must have his commission, and he will take the chances on Firebugzinsky & Co., or any other man.

#### YOU BRIBE HIM

with a commission to represent a bad and undesirable risk, as in every respect A 1. It is right to this point, and the correction of this evil, that all your energies should be directed.

Can it be done? I say yes, and in less time than it takes to establish your compact. Cut your 2000 agents on this Coast down to 20, and retain only the very best of them. Put one good man on as local agent for Sacramento county; one as local agent for Santa Clara county, and dismiss the horde of agents now at those points. Let their compensation be \$150 per month and a

#### PERCENTAGE OF THE NET PROFITS

at the end of the year. Now you are all working for the same end, and the interest of agent and company are identical. You have an agent who will not under any circumstances take the hazard of an over-insurance. Who will compel a bad risk to be made good before he writes on it. Who will always be on the alert for every little hazard. Stove pipes and cloth linings will have to come down. The flues, and hearths, and pipes, of every new building will receive the attention of an expert. Second-hand clothing shops, and similar hazards, will have to move out. A block that is healthy to-day cannot be made hazardous to-morrow by the presence of a fire bug with a big policy, put on him by some smart insurance agent or some "enterprising" general agency in San Francisco. The volume of insurance will suffer a decrease, for the reason that the 25 per cent. of over insurance that every last one of you now carry, will have to come off. But the *profits* is what the company and agent are both after. That the volume of fire waste will be largely decreased is absolutely certain.

Now I can see the soft, pitying smile of the President of this Association, and almost hear the Vice President yawn and audibly ask for a gun. But I say unto these two scoffers, sit down and figure it out. It is far easier to

understand and determine, and will result in more profit, than the Kinne or Sexton Rule. You two gentlemen want notoriety; here are cords of it.

#### THE FIRST OBSTACLE

to overcome is the objection of the companies to having one joint agent for all. You all think you can double your lines in Sacramento in the next three years. But will you double your profits? No, sirs, nor your lines either. It is a safe bet that not three of you will make an increase of 15 per cent.

It is safer to say that three-fourths of the business of this county is now controlled by twelve companies or general agencies. Ascertain this by comparison of books, and then like sensible men agree to be satisfied with your present lines and your pro rata of the new business, and let the twelve companies and agencies take the county to themselves, giving the companies with small lines either a cash value or a like amount of business in some other county.

#### LOCAL AGENTS' OBJECTIONS.

The next point to overcome is the objection of the present local agents. *This business belongs to them.* They made it, and Coleman, Sweetser and Porter *et al.* will not give it to any agent of your selection. They are right; therefore pay them for a surrender and a sale of the good-will. You can afford to pay them double the value, for the reason that the new programme will produce three times the profits.

If the companies with small lines will not join in this arrangement—if you can't buy their business or trade them an equal amount in Stockton or Yolo—let them go it alone. Property-holders, the press, and citizens generally, will see at a glance that you are laboring for their protection, for the reduction of the fire waste and consequently lower rates; and if they give you their hearty support, it must redound to their benefit. The fight is far easier and certainly more respectable than the present disgraceful competition.

There are a thousand petty questions that it is unnecessary to answer in this brief outline, but all of them can be overcome and mastered by any fair-minded man, and you will have what you never can acquire under the present system, to wit: an insurance agent who must understand his business; who must decrease the fire loss; who *must* make a profit at the end of the year for the company, or get nothing himself except a living.

Follow out this plan all over the State. Ten or twelve companies take Sacramento county; ten or twelve other companies take Santa Clara, and so on. You will make your country business profitable; you will reduce your two thousand agents down to two hundred, and all of them competent and reliable men,

#### SAVING YOU THOUSANDS OF DOLLARS

for special work, office work, printing, compact expenses, and God knows how much on the fire loss, rate-cutting, backbiting, three and five year business, and the thousand other evils of the present will be things of the past. It seems to me that all this is entirely feasible. If it is not, show me up.

I have labored earnestly to elevate the business of insurance. My efforts have been generally met with quiet derision by managers and specials. One general agent says, "the noblest work of God is an honest man, and he made that d——d fool Lee, run him into the insurance business—and quit." Nevertheless, and notwithstanding all scoffs, I propose to walk my plank to the end, and fight for what I conceive to be honest and legitimate. I am proud of my occupation as local agent; and shall continue in the future, as in the past, to use my best endeavors to make the calling respectable, and rest entirely indifferent as to whether it suits the views of any or all the general agents on earth.

I shall continue to hold, that

#### THE LOCAL

fire insurance agent, devoting himself earnestly and honestly to the discharge of his duties, is the most valuable man in any community. He should be the best posted, and most thoroughly accomplished business man in it. His responsibilities are great, and he should thoroughly appreciate them. His simple word can bind for thousands, and the capital is at his back to make that word good at maturity.

The best of your specials are regarded as insurance sharpers by a majority of the communities through which they travel. This is owing entirely to the fact that the present system tends to lower the status of one of the noblest professions on earth. Why not make local agents of a dozen or two of them? Elevate them from their present uncertain condition, and give them the opportunity to win the respect and confidence of one community at least.

But will this millenium ever come? Will any of the evils we now have ever meet with a radical check? Pardon me when I give it as my opinion that you

#### ALL LACK BACK-BONE.

You will still permit agents to use your money to pay their private bill's. You will still permit them to run until hundreds of dollars in arrears, and hopelessly involved, before you think of taking any action. You have been so long in this old rut—so long trying to drive this horse at the wrong end of the cart, that any change from the old routine makes you shudder. You will still continue to appoint sharpers and men of no character and standing. Men who care nothing for the interest of the assured or the company, and whose only object is to cover every old chicken coop with a three or five year policy, pocket a fat commission and do everything that tends to destroy confidence and lower the standard, and that is antagonistic to all the principles of underwriting. You will still continue to let these tramps bore the honest granger into paying money for what he does not want, and ought not to have. And you

## CALL IT SOLICITING.

I have known one of those fellows to "camp" with a farmer for three days, and until he actually insured to get rid of the incubus—and then when his policy came, tear it up, and forever after curse all insurance men. A breed of dogs trained to eat such insurance men would command high figures, and there would be no end to the demand. Soliciting is not begging. It is a science requiring consummate skill and first-class business ability and training. It is not work for boys, dudes or scalawags.

But you will still hold to the practice, for the same old reason. You will still persist in appointing forty to fifty agents in a country where there are not premiums enough to support more than one. You will still call these men insurance agents when not one in ten of them knows the difference between a brick flue and a stove pipe—who does not consider it necessary to make any endorsement when Rideout & Smith sell property (covered in their name) to the Bank of Butte County—or when one partner steps out and a new one comes in.

Is there any other business on earth that would so carelessly give out such important trusts to even reliable business men when the fact is so patent that they cannot do business enough to make themselves even ordinarily proficient? You will still expect that all that is necessary to get business, is to give an agent a commission,

## A TIN SIGN AND A FEW CALENDARS,

with the name of your old and battle-scarred company in large letters, and think that this ought to give you seven-eighths of the business.

The intelligent special wipes out this humbug. He knows that the agent's name is all the assured goes by—and he immediately goes to work. He hunts up old friends and presents letters of introduction to others, and simply tells them that he is special agent for companies represented by their energetic fellow-citizen, Charley Jones. He never mentions his rusty old company, but throws out his whole soul for the agent, and talks of him and extols him as one of the brightest and most reliable agents on his list; until people begin to think that Jones is somebody and has been hiding his light under a bushel. That special extends the lines. He does something to merit the love and affection of his agent.

But it was not my intention to give the qualifications of a good special in this paper. I should be compelled to show up the utter incompetency of more than one; and as the boys are making a living, and the company is in blissful ignorance, and we are to continue in the same old rut, therefore I will resume what I know about specials until I get well paid for the breeze I should certainly kick up.

But to resume—you will still continue to do that

## SILLIEST OF ALL SILLY THINGS,

cut rates to get business. You will still continue to pay agents, almost

wholly engaged in other pursuits as much as you do the one who offers you his entire time. And how long will all this malpractice continue? To my mind that is the easiest point in the whole problem to answer. The people will take this bull by the horns, and in every State in this Union you will have the "Valued Policy Sum." The assured will compel you to do business—to pay exactly what you write on every risk. This will compel you to select as local agents only such men as will give the subject their undivided attention and who will become as they ought to be—experts—equal to any special in the field.

The three-quarter clause, now talked of so lovingly, will not accomplish the result you desire. It will only multiply your sorrows. Your incompetent and *interested agent* will still write \$10,000 on a \$6,000 risk.

In fact, gentlemen, if you have followed my deductions with any care, you will readily perceive that

THERE IS BUT ONE COURSE

to save you from hopeless ruin—and that is to do as I say, or quit electing presidents who will deliberately inveigle me into writing letters. Put this into your constitution and by-laws in large type.

And finally, I pray you, gentlemen, that if Kinne call Lee a wild theorist, and Bromwell goes out in a huff, and Staples towers up as if the entire Grand Army of the Republic had been insulted, and conservative Dornin *pales* with sorrow and shame, and drops a pitying tear over the brazen conceit of a loved and lost one—that you will permit it, and in silence accept this entire dose. Consider the *cause of it*, and charge it up to that hot July day, and the subtle influence of the President of this Association.

Very sincerely yours,

BRUCE B. LEE

The President—Gentlemen, you have heard the paper.

Mr. Dornin—I would say one thing; not to discuss the paper, though. I saw our friend Mr. Lee in Sacramento the other day. He believed in the three per cent. bill introduced by Firebaugh, especially that clause which required the local agent to give a bond of \$50,000. He said that he was about the only man in Northern California who could give such a bond; and he was in favor of the bill.

The President—This paper of Mr. Lee's of course contains some truths; we cannot deny that. It contains some things that I cannot properly endorse at this time, however. There are some assertions, particularly relating to agents, that we all

certainly would say are not so, but if there is anything in it that you would like to discuss, I would like to hear from you. There are some points in it, that relating to employing agents on a salary and giving them a commission, for instance, which have been put forward by others. It is not the first time that the matter has been brought up.

Mr. Dornin—Mr. Lee introduces the proposition that there are too many agents in the country, that there are too many companies doing business, and that the business should be apportioned out; this half-dozen companies should be given Sacramento county, another half-dozen companies should have Colusa county, or Tehama county. As to that, Mr. Lee has no patent right, for I remember that Mr. Hopkins, in a very elaborate paper, introduced the same feature. I believe that to be one solution of the whole trouble.

Mr. Fenn.—It seems to me that a vote of thanks would be in order for this paper. I make a motion to that effect.

The motion was seconded and carried.

Col. Kinne—I move that Mr. B. B. Lee be made an honorary member of this Association, and that the Secretary be instructed to cast the ballot for Mr. Lee as a member of this Association.

The motion being seconded and carried, Mr. Lee was elected an honorary member.

On motion the Association adjourned until 1:30 P. M.

## AFTERNOON SESSION.

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The meeting was called to order by the President at 1.30 P. M.

The President—The next on the programme is "Forms of Policies," by Mr. Faymonville. The writer is out of town, and Mr. Carpenter has kindly consented to read the paper.

### FORMS OF POLICIES.

*Mr. President and Gentlemen:*—Whether it is better to try, and fail, or not to try at all, is a question which no doubt will arise in your minds upon hearing this report.

The writer does not wish to apologize for what he has to say, for an effort which requires an apology had better not be made. But the facts are that Mr. Edwards, our witty chairman, has gone East, and Mr. Rule, the remaining man of talent, has hied him to Los Angeles, thus throwing the responsibility of wrestling with the difficult subject of "Forms of Policies," upon the shoulders of the green member of the committee, with about one day's time to prepare. I mention these facts that you may make due allowance therefore.

### APPLICATIONS.

We had half concluded to refer to the subject of applications in this report, but the subject is an important and lengthy one, and merits a more complete consideration than we have the ability or time to give it, and suggest that it be made the subject of a report by a special committee.

The necessity of requiring a regularly signed application upon which to issue policies, is every day becoming more apparent. Upon the adjuster particularly does this necessity impress itself, as he stalks about viewing the ruins, and making his investigation, often finding that the assured, instead of signing his application, made no representations whatever to the agent. The application is the warranty of the assured of the existence of certain facts and conditions, which influence a company in accepting or rejecting a risk. Now if we do not require that this warranty be signed by the party making it, who is to blame if, when the loss occurs, we find ourselves deceived?

Many agents seem to think that because *they* know all about a risk, the company should be content. We can only account for this absurd notion, and the tenacity with which it is adhered to, upon the hypothesis that all men are to a varying degree fond of power; that they delight in arrogating to

themselves the powers and functions of those above them in authority, and that they consider it a reflection upon this coveted authority to be obliged to consult with or refer to the home office.

Again, many men in the insurance business have the impression that the ordinary application contains altogether too much irrelevant matter, and they cannot see the reason why it is put there. It is human nature to doubt the efficacy of that which you do not understand, and to this fact do we attribute, to a large extent, the inclination of agents to slight questions in applications the reason whereof they cannot see. But whatever the cause may be, the remedy lies within the power of the "special" who appoints and instructs the agent.

#### THE INSURANCE POLICY,

roughly considered, constitutes a declaration of what we promise to do, and a statement of what we will not do in certain contingencies, some policies promising more, others less; but whatever is promised or stated, let it be done in language which will admit of no misconstruction. It would be impossible to enumerate all the complications which have arisen from time to time by reason of intentional or unintentional disregard of this rule, or to compute the enormous amounts which insurance companies have been compelled to pay on promises they never dreamed of making. In vain have they urged that it was not the *intention*, upon issuing their policies. Where there is any doubt, the assured will almost invariably get the benefit thereof, for of all parties in conflict, none seem to be denied the benefit of primary intent so universally as insurance companies. Nor is this done without reason, for ours is a business of selling promises, and were the privilege accorded us (no matter to how small a degree) of determining the value of the promises we sell, *after* we are called upon to fulfill them, insurance would soon cease to insure. Knowing these facts and realizing our position, our only remedy seems to lie in removing all doubtful features and clauses from our policies.

We cannot enter into a discussion of

#### THE PRINTED TERMS

of policies in this report, as there are very many different forms, and a thorough discussion would probably fill a volume, yea, several volumes. These terms are usually inserted in the policies by the "powers that be" in the head office, and very few of us have the authority to change or alter them. We know of no local agent who has the power to change the printed terms, and yet we find that by careless policy writing they often waive them. Remember, that where a printed term conflicts with the written part of a policy, the latter is generally construed as constituting a waiver of the former.

You can therefore see the necessity for every policy-writing agent knowing what the printed terms are of the policy which he issues.

It is surprising to note with what extreme indifference some of our best local agents seem to regard the printed terms of policies, and we cannot help

believing that they do not properly realize their responsibility as agents. Should these same parties enter personally into a contract of equal magnitude, they would probably use the utmost caution to see that the terms were as they intended them to be.

Nor are these terms inserted as a mere "matter of form" as some agents would make us believe. There should be no hesitancy in explaining the terms of the policy to the assured. He may consider them too rigid, but if you cannot satisfy him fully with an honest explanation, let him go, as the company can better afford to lose him as a customer than to manufacture a form of policy to please him.

The growing tendency to grant liberal forms of policies or endorsements is

#### A SIGN OF WEAKNESS

in the spinal column of the body of insurance men, and something should be done to strengthen it. Whether these forms be granted to keep a good customer in camp, or held out as bait to lure one from a rival's den, they are none the less objectionable, and generally result, in case of loss, in making us respond with more indemnity than we bargained to deliver or received pay for.

As to what property is insurable we have to state that the subject properly belongs to some other committee, but we consider that anything the value whereof is easily determined is insurable, its quality as an insurance risk depending upon the rate of premium paid. It is true that some risks are worth about 115 per cent., but they are insurable, nevertheless.

At this late hour of writing we find that we have insufficient time to enter into a discussion of all the clauses which usually appear in the written part of a policy, and notwithstanding an inclination to enter into the subject in detail, we will content ourselves with calling attention to some of the more important points which occur to us as we write.

#### INSURE THE ACTUAL OWNER OF PROPERTY.

We think that too much care cannot be taken to impress upon our agents the necessity of following this rule. Often does the adjuster find that a policy has been written in the name of some one having no interest, or merely a mortgagee interest, in the property insured. The discoveries are followed by the usual result, a refusal of the company to pay for any but the assured's interest, a legal consultation, and a lawsuit.

#### DESCRIPTION OF THE BUILDING INSURED.

You cannot be too particular in describing the building insured minutely, or the building containing the property insured. The policy should be written so clearly that the question cannot arise in the mind of the assured as to whether his policy, covering "on a two-story frame building" also covers a "one-story addition;" or whether his policy, covering on his merchandise "in the two-story frame building," also covers on merchandise "in his one-story frame warehouse adjoining."

“WHILE OCCUPIED EXCLUSIVELY AS.”

It has been customary to merely use the words “while occupied” in this connection, and while we think that these two words would probably enforce the occupancy, for the purposes mentioned, we hardly believe that they would prevent additional occupancies. Let us take a case, for example, where a policy covered on the “one-story frame building while occupied as a saloon.” What is there in this wording to prevent the said building from being occupied also as a meat market? In case of loss the adjuster would find that the building was occupied as a saloon, as required by the policy, and nothing therein to prevent same from being occupied for additional purposes. We think that the word “exclusively” used in the above connection would remedy the difficulty.

“WHILE SITUATE AS PER DIAGRAM.”

When a company accepts a risk at a certain rate, it does so after having duly considered all its surroundings, both moral and physical, and if any change takes place in either, they should have the privilege of determining whether they wish to continue the policy or to cancel it. Without the word “while,” the term “situate” might be considered descriptive only and bind the company, notwithstanding the fact that the building insured or containing the property insured, had been moved into a range, or a range had been built around it. When changes take place, the policy should cease until the company or its representative has accepted proper notice of the change by endorsement.

NEW AND UNUSED STOCK OF MERCHANDISE.

The words “new and unused” are not written here as the best that could be used in this connection, but we will try to illustrate the object of inserting them, and underwriters may then choose their own language to cover the case. In the course of an adjustment of a loss on a country merchandise store, it was found that nearly one-third of the stock consisted of second-hand goods, which had cost the assured indefinite prices, some having been taken in satisfaction of debts, while some had been bought for cash, and as a result the matter of determining the “cash value” was a very difficult one. It was not intended by the company to cover a second-hand stock when they wrote out the policy, not having charged the rate usually charged on second-hand stocks. There was no remedy, however, as the policy covered on “stock of merchandise,” and the matter of intent cut no figure.

We call your attention to the fact, in order that the proper precaution may be taken, as the majority of country stores deal in this class of goods.

“\$—ON HIS FIXED AND MOVABLE MACHINERY OTHER THAN IS SPECIFICALLY INSURED.”      “\$—ON HIS ENGINE AND BOILER.”

The reason for inserting the words “other than is specifically insured,” is quite obvious. Should a loss occur under a policy which did not contain said clause, damaging the engine and boiler to a greater amount than was

specifically insured thereon, the amount covering on fixed and movable machinery would be made to cover the surplus loss, as the engine and boiler would be covered by the terms "fixed and movable machinery." Under the above clause no machinery or parts of machinery which might be found specifically insured in other companies would be covered by the item first above-mentioned, as it does not limit the exception to the policy containing it. The same remarks will pertain to policies covering on household furniture, and a separate amount on beds and bedding.

We know that it is desirable to make policies cover as specifically as possible, at the same time we believe that there is a possibility of carrying specific writing too far, thereby depriving the assured of the indemnity for which he paid and to which he is justly entitled. We have in mind a case where a dwelling policy was made to cover specific amounts on not only each main item of furniture, but separate amounts on the furniture contained in each room.

Another objection to this mode of writing is, that the company which writes a policy on the same property first, but which uses the ordinary form of policy (dwelling), finds, when the loss occurs, that it has written a decidedly blanket policy as compared with policy No. 2. We will not try to discuss the points of adjustment in a case of this kind, but submit it to Messrs. Sexton and Kinne.

"ALL WHILE CONTAINED IN."

It is needless to call your attention to the decisions of Courts which make the word "while" so necessary in the above clause. These decisions, in brief, resolve those policies which do not contain the word "while" into floating policies, and while you innocently imagine that they are covering at Maxwell, they may cover at Milpitas. In other words, a policy without the word "while" covers the property wherever it may be after the issuance of the same. Nor are we prepared to assert that the word "while," as used above, will entirely remedy the difficulty.

ON ENGINE BOILER AND THEIR CONNECTIONS.

We do not fancy the term "and their connections," as it is decidedly obscure, and, not unlike the figure "etc.," may mean a great deal. Some able minds hold that the term includes all connections up to and including the *first joint*, while others hold that it includes everything up to the *first motion wheel*. At all events, until its meaning is more clearly defined, we would recommend that it be omitted from policies as the term "fixed and movable machinery" would probably cover all that is meant by the aforementioned clause.

CEASING TO COVER AS LAST WRITTEN.

In all endorsements transferring insurance from one locality to another, do not fail to insert this clause, for without it, or other words covering the same idea, your policy will probably cover in two places at one time, thus making you carry two risks for one premium.

## THE WORD "NOTHING" IN PRINTED BLANKS.

We desire to call the attention of the fraternity to the necessity of writing the word "nothing" in the "dollar" blank usually found in printed slips, if it is not intended to cover such item. Unless this be done, the insurance on the first item will cover on all the others in succession.

While there are many subjects which we would like to mention herein and hear discussed by the Association, we feel that we have already consumed our share of your time. Among others which occur to us are: A three-quarter valuation, or loss clause, for policies covering on property liable to fluctuate in value. A clause to protect the company from fictitious values in cases of loss on ornaments or bric-a-brac. A rule for charging an additional rate where the traveling and adjuster's clause is omitted. A watchman's clause which will require the watchman to be, not only in and upon the premises, but to be awake. A clause limiting the liability of companies upon patterns, negatives and other property of the kind to a certain class or amount; and a valid stipulation in the policy, or proof of loss, which will prevent the assured from making up new and different proofs every time he takes a notion to do so. The latter subject is respectfully suggested for the action of the Committee on Losses and Adjustments.

Gentlemen, we thank you for your attention.

BERNARD FAYMONVILLE, of the Committee.

The President—The paper contains a good deal of new matter to us—to me, any way. There is one proposition which is very good, that in regard to the 115 per cent. The trouble is we have all been wanting good risks. That matter of coupons—exclusive coupons—is an important one, also that of fixed and movable machinery. If the members have any remarks to make I would like to hear from them.

Mr. Carpenter—The last clause is a good one, provided the assured makes a claim of less, he could be prevented from making a claim for a greater amount. He may make three sets of proofs before he gets through with it, under the present rules. I think, when a man has made up his amount, the loss is certain, and I think that when he once sends in his proofs for a certain amount, he ought to be debarred from going back of that and making up another set of proofs when his creditors find that his claim is not enough to cover the amount which he owes.

Mr. Gunnison—I cannot agree with Mr. Carpenter. I think an error may be corrected; if he has made an error, I am sure

Mr. Carpenter, as well as myself, would be glad to make the correction, and allow him, under those circumstances, to make a new proof of loss. He would have no more right to confine him to that than we would have, after agreeing to pay him a certain amount, go back on our own agreement and not do it.

Mr. Carpenter—I do not believe any companies have agreed to pay a man a certain amount and then have gone back on it.

Mr. Ferry—I would like to hear some expression in reference to machinery. Very often you will find a great deal of machinery that is not in use, that has been laid aside and other machinery put in its place; how are you to make a liberal deduction for it? If you leave it to appraisal, generally you pay three or four times what you ought to. I do not think we ought to cover any machinery that is in a manufacturing establishment that has been put aside and other machinery substituted for it. I think the policy should accept only such machinery as is in actual use.

The President—I do not understand that machinery not in use is covered. I understand that we only cover such machinery as is necessary in running the mill.

Mr. Dornin—I think you would have to pay for the machinery not in use, anyway, if that was put in the policy.

The President—If there are no further remarks on this important subject, we will pass to the next, which is a paper—we say a paper, but it is really a book on “Waiver and Estoppel,” by Peter Winne, of Denver. It is upon an exhaustive subject, and the subject is treated exhaustively. It will be read by Mr. Naunton.

Mr. Naunton—I will read it, but will omit the references, only giving you the gist of the matter. It will be a very valuable acquisition to our insurance literature and for adjusters; it will tell them what to say to a man when they refuse to pay his loss, so as not to waive any of the rights their companies may have.

## WAIVER AND ESTOPPEL.

To treat this subject properly in all its bearings, would require a volume; and the writer has neither the time nor the inclination to attempt to cover the whole ground as applied to insurance law, but will consider those points wherein our fraternity place themselves in an erroneous attitude, most frequently by trying to maintain positions that are directly opposed to each other. Hoping that some practical good may be the result of this discussion of the subject, have concluded that I will give some plain practical facts without any attempt at a literary display. "The wise man" is credited with saying "There is nothing new under the sun," therefore I will not claim any originality of thought or argument, but will try to present the words of the best writers and the most pointed decisions of our courts, giving credit as far as possible to the authors of the same, merely trying to arrange and classify these so as to present them systematically.

The writer's experience a few years ago, taught him that no matter how good the reasoning he advanced, it was better to have some good authorities to substantiate the same in order to have it receive the proper consideration. The following account illustrates the incident referred to. Some insurance companies had decided to resist the payment of a claim, on account of fraud and requested the writer to look up the case and advise with the attorneys as to the best course to pursue. After investigation into the facts, a certain line of defense was proposed, which the writer deemed the best possible one; but very much to his surprise the attorneys and all the companies decided that there was nothing in the position assumed. It was all in vain that reasons were given—reasons, too, that the attorneys said were good, but refused to try the case on the grounds taken by the writer, as they knew of no decision to maintain the same. They admitted the justice of the defense contended for, its plausibility, etc. They were appealed to again and again to try the case on its justness and make a decision. They were inexorable, and refused to attempt to try the same in the manner requested. At last after a long and diligent search, the writer found a decision advancing the doctrine he had been contending for, in which the words even, were almost the same as he had been using. The transformation in the minds of the attorneys was great. They became very enthusiastic, argued the case on demurrer and won it. This and similar experiences have taught me that it is quite important to have good authorities to substantiate the arguments advanced, and have led me to decide on the following manner of discussion rather than the advancing of my own views solely, believing that the authorities will give greater weight. Of course this will make the article more lengthy, but there can be no doubt but that it will make it much more useful as a reference.

No small amount of litigation is the direct result of trying to maintain positions that are diametrically opposed to each other. A waiver is never established, or the company estopped from assuming a position, where there

has been no double dealing, no reversible, adjustable, double-acting performances, that are calculated to mislead. It is no uncommon occurrence to find an adjuster who tries to maintain two attitudes that are not within the range of any human possibility to be harmonized. In nearly all such cases the party eventually finds himself in the condition of the Irishman who insisted that the bees in Ireland were as large as sheep in this country. When asked how the bees got into the hive, replied, "Shure, that is their own business." When we try to maintain inconsistent situations we will sooner or later be driven to equally as ridiculous subterfuges as cited above, in the attempt to justify a wrong course—then waiver and estoppel will prevent our maintaining the rights we had, and we will in the most of instances, learn that it would have been far more profitable to have been consistent.

If we wish to enforce the conditions of the policy and know the same to be void, the better way is to notify the assured that we have doubts as to the validity of his contract. But in any event we shall expect a strict compliance from him of all the terms and conditions of the same if he expects to recover under it; that we waive none of our rights but stand by and maintain all of them. Did you ever hear of a case of Waiver or Estoppel being substantiated where such a course was pursued? And instances are very rare where one was claimed.

Let us notice before proceeding to discuss this subject, "That the policy is a contract." The law between the insurer and the insured, is the policy with all its clauses, conditions and stipulations, by which their mutual rights and liabilities are defined. *Branch Ins. Co. v. Helfenstein*, 40 Penn. Stat., 289.

And where there has been no waiver the policy conditions are valid. The Supreme Court of the U. S. on this point says: "The public have an interest in sustaining the clauses of the policy." *Carpenter v. Providence Washington Ins. Co.*, 16 Peters (U. S.), 496.

Waiver, according to Bouvier, is the relinquishment or refusal to accept a right. The same writer says, Estoppel is a preclusion in law which prevents a man from alleging or denying a fact. Lord Coke says, "It is where a man's own act stoppeth or closeth up his mouth to allege or plead the truth."

The rule of law is clear where one by his own act or words causeth another to do or believe a certain state of things or to alter his position, that the former is precluded from averring against the latter a different state of things as existing at the same time.

Waiver and Estoppel, as applied to insurance, are so nearly allied that the courts use them indiscriminately, therefore the writer will take the liberty to pursue the same course in this paper.

No one is held to have waived his rights until it be shown that he has done so with a knowledge of them. *Finley v. Lycoming Ins. Co.*, 6 Casey, 311.

There would seem to be no danger of a waiver from the above until we have knowledge of the violation, after that, the insurer or his representative should say or do nothing nor make any negotiations without reserving the point. It has been said that a waiver never occurs unless intended; or where the thing relied on as a waiver is such that it ought in equity to estop

the party from denying it, and to constitute a waiver there must be not only knowledge of the thing waived, but the act of waiver must be knowingly done.

The doctrine of estoppel lays at the foundation of the law as to waiver. While one party has time and opportunity to comply with a condition precedent, if the other party does or says anything to put him off his guard and to induce him to believe that the condition is waived, or that a strict compliance will not be insisted on, he is afterwards estopped from claiming non-performance of the condition. *Underwood v. Farmer's Ins. Co.*, 57 N. Y. 505.

There can be no waiver of a condition precedent, except there be in the case an element of estoppel.

When the insurer has done nothing to induce delay on the part of the insured, to comply with the condition precedent, there can be no waiver. The waiver must either be expressed or the result of such acts and conduct on the part of the insurer as will operate as an estoppel against a defense, predicated upon the ground of non-compliance with the condition on the part of the assured. *Underwood v. Farmers Joint Stock Ins. Co.*, 57 N. Y., 506. *Clarke v. N. E. Fire Ins. Co.*, 6 Cush. Mass., 342. *Underhill v. The Agawan M. F. Ins. Co.*, 6 Cush. Mass., 440. *Ames v. N. Y. Ins. Co.*, 14 N. Y., 253.

A waiver or estoppel in order to be effectual must be made by an officer or agent authorized to make it. *Lee v. Guardian Life Ins. Co.*, 5 Ins. L. J. 26 (U. S. C. C. Dist. Cal. 875).

#### WAIVER OF PAYMENT OF PREMIUM.

The question as to whether a credit was given, or a condition waived, is for the jury; and may be an expressed waiver, or may be implied from circumstances, as that the policy was delivered without pre-payment. *Story on Agency*, 267. *Wright v. Hartford Ins. Co.*, 36 Wis., 522. *White v. Conn. Ins. Co* (S. J. C. Mass.) 5 Ins. L. J. 812. *Eagan v. Aetna F. & M. Ins. Co.*, 6 Ins. L. J., 832 (S. C. A. W. Va). *Mason v. Citizen's F. & M. Ins. Co.* (6 Ins. L. J. 842). *Bowman v. Agricultural Ins. Co.*, 59 N. Y. 521, (5 Ins. L. J. 12). Or that the premium was subsequently received. *Young v. Mutual Life Ins. Co.*, 2 Savage (U. S.) 325. Or that it was subsequently demanded by the insurer and he treated it as a debt against the assured, or any act or circumstance that tends to show there was an assent on the part of the insurer to a non-compliance with the conditions. *Washoe Tool Co. v. Hibernia Ins. Co.*, 66 N. Y., 613 (5 Ins. L. J., 773). Held that the agreement of the agent to extend the time of payment was a waiver of the condition of the policy that it should not be binding until payment of premium, and the fact that the agent did not indorse such waiver on the policy as required by another provision did not prevent recovery. *Young v. Hartford Ins. Co.*, 6 Ins. L. J., 43. *Gay v. Farmers Mut. Ins. Co.*, 12 Ins. L. J., 595.

When a credit has actually been given it seems to be well settled that the policy remains in force until cancelled for non-payment of premium. *Frankle*

*v. Pennsylvania Ins. Co.* (U. S. C. C. Dist. Col.), 12 Ins. L. J., 614. *Miller v. Life Ins. Co.*, 12 Wall. U. S., 285. *Washoe Tool Co. v. Hibernia Ins. Co.*, 66 N. Y., 613.

The issue and delivery of a policy without requiring prepayment of the premium establishes the fact that credit was given therefor. *Laton v. Germania Ins. Co.*, 27 La. An. 113.

Delivery by an agent of a policy and renewal certificate as valid instruments, is a waiver of the formal terms and makes them binding, even when not countersigned. *Hibernia Ins. Co. v. O'Connor*, 29 Mich., 24.

#### WAIVER AS AFFECTED BY KNOWLEDGE OF THE FACTS.

The insurer is estopped from setting up the breach of any condition when at the time of its issue he knew that the condition was inconsistent with the facts. And the assured has been guilty of no fraud or the breach of any condition after the policy was issued, if it has induced the insurer to believe or rely upon it, that such breach was waived, or has been induced to do any act, at the request or by the direction of the Company which he otherwise would not have done. *Webster v. Phoenix Ins. Co.*, 36 Wis. 67 (3 Ins. L. J., 931); 17 Am. Rep. 481.

In this case the policy prohibited other insurance without notice. Whether defendant's agent knew of other insurance or not before the loss, did not clearly appear, but after the loss, the agent informed the assured of it, and knowing of the breach, the Company required the claimant to furnish plans and specifications at considerable expense, and it was held that this operated as waiver of the breach and estopped the company from setting up an avoidance of its liability. Commenting on this *Lyon*, Judge, says: "A party cannot occupy inconsistent positions, and when one has an election between inconsistent courses he will be confined to that which he first adopts." It could have declared the policy void because of the additional insurance effected without its consent, or it could treat the policy as valid and pursuant to stipulation therein, require the plaintiff in addition to the usual proofs of loss, to furnish plans and specifications of the building destroyed. With full knowledge of all the facts it chose the latter course and the plaintiff at great expense to herself complied with its requirements. This was a most decisive act on the part of the defendant—an act utterly inconsistent with an election to declare the policy void for a breach of any of the conditions. And it seems clear to us that the defendant is estopped thereby from insisting on a forfeiture of the policy.

In this case the company has furnished an excellent illustration of the case of a company exceeding its simple right to demand proofs of its liability. Had it stopped after exercising this right, there would have been no waiver. But as it is, it required the assured to go to additional expense to furnish plans and specifications of the building after it had proof that its policy was void.

On a certain occasion two Irishmen were out late one night and were returning home in a rather hilarious condition, they got into a dispute as to whether it was the sun or the moon that was shining overhead. Pat insisted that it was the sun and Mike that it was the moon, and as they could come to no agreement within themselves they agreed to refer it to the first person they should meet. They soon met a gentleman and they referred the dispute to him after explaining their disagreement as clearly as possible. The man was in the same condition as Pat and Mike. He finally exclaimed: "Hic—re-al-ly yo-u'll have to ex-kuse-me as I'm a sth-stranger in this part of the country." Would it not make any of us feel that he would like to be strangers in a country where it has the law of the land that a policy could be held as void and valid at the same time? Where it could be claimed and treated as a contract on which the company will pay as soon as certain requirements are complied with, and the adjuster at the same time holding it void?

Whenever the weight of evidence goes to show that a policy has been issued inconsistent with the facts, and the agent knew the facts when the policy was written, the conditions are waived so far as they do not agree with the facts known. *Smith v. Farmers and Mechanics Ins. Co.*, 8 Ins. L. J., 828 (S. C. Pa., May 79). *Peoria F. & Mt. Ins. Co. v. Hall*, 12 Mich. 202.

And this should be universally the case where the agent fills up the application erroneously or commits a fraud when the facts are correctly stated by the assured. In all such cases the doctrine of estoppel applies. *Ellenberg v. Protective Mt. Fire Ins. Co.*, 8 Ins. L. J. 822 (S. C. Penna. May 1879.) *Winans v. Allemanna Ins. Co.*, 33 Wis. 342. *Ætna Ins. Co. v. Maguire*, 51 Ill., 342. *Mechler v. Ins. Co.*, 38 Wis., 665. *Vilas v. N. Y. Cent. Ins. Co.*, 7 Ins. L. J., 440 (72 N. Y. 590). *Miner v. Phenix Ins. Co.*, 27 Wis. 693.

If estoppel was not permitted to apply in such cases an innocent party would be made to suffer. See *Wood on Fire Ins. Co.*, 179, and *Rowley v. Empire Ins. Co.*, 36 N. Y., 550.

Where the Company knows or ought to know the true state of the risk, the fact that the assured or his agent filled out the application and misdescribed it (even admitting that the company's agent being the party that filled it out and having been made the agent of the assured by the conditions of the policy) seems to be an unsettled question whether this operates to overcome the effects of the insurer's knowledge of the facts. Good authorities can be cited to maintain either position.

In New York the negative is established by *Roehrback v. Germania Ins. Co.*, 62 N. Y. 47, (4 Ins. L. J. 737). *Sprague v. Holland, Purchase Ins. Co.*, 56 N. Y. 565.

In the case of *Roehrback*, an application was signed by the assured in which the agent did not, in filling out the answer, fully disclose the exact nature of the interest to the insured, and as the statements in the application were fully disclosed to the agent they were not properly answered in the application, and as the application was made a part of the policy and a warranty on the part of the insured, the Court held to the letter of the contract that the plaintiff made a breach of warranty and condition precedent upon the truth

of which the contract rests, and for that reason may not recover in this action as the facts now stand. It was a warranty and a condition precedent to his right to recover, and as such could not be avoided by any consideration, whether it was essential or not.

"While it is true," says the Court, "that insurance companies are often the victims of dishonest and designing persons, is it right for them to refuse to be bound by the acts of the agents of their own selection? And it is to be regretted that corporations of the power and extensive business which insurance companies have, should prepare for illiterate and confiding men contracts so practically deceptive and nugatory, and should in cases as free from fraud and wrong on the part of the insured as this, hold their customers to the letter of the agreement so entered into. Though he has frankly and fully laid before the actor between him and the defendants all the facts and circumstances of the case, he is made responsible for error in legal conclusions which he never formed, and which were arrived at by one in whom he trusted, and whom he supposed to stand in place of the company."

Let us look at the justice of such a decision; even admitting that the policy makes him the agent of the assured, nevertheless he is still the agent of the company, he is not divested of his office by being made or deemed the agent of the applicant. Is not this a device that is inconsistent?

Nearly all the cases lay stress on the fact that the application was made by the agent of the insurers, who knowing the facts, misstated them. *Roth v. City Fire Ins. Co.*, 6th McLane, U. S. 321.

See Wood on Fire Ins. 843, where some good remarks are made on this subject and where he asks, "If a person can rely on a position in law that he knows to be false, or on a statement that he knows to be a lie?" *Cole v. Boland*, 22 Penna. St. 431.

Under such circumstances the insurer can not claim that he was misled, and to permit him to issue a policy and to take the benefit of the contract knowing that he is not liable, is aiding a fraud on his part, especially upon a person who intended no fraud upon him and who has been innocently led into making a mis-statement. Such a position is at variance with the principles that underlie the doctrine of warranty. Of which the sale of a blind horse is an illustration and is repugnant to that sense of justice and morality which should underlie the law. The Courts seem to be gradually approaching a more equitable position on this subject as shown by the following cases. *Beal v. Park Ins. Co.*, 16 Wis. 257, and authorities cited therein. *McFee v. U. S. Ins. Co.*, 2 McCord, S. C. 503. *Phenix Ins. Co. v. Lawrence*, 4 Met. Ky. 9. *Patton v. Manufacturers Ins. Co.*, 40 N. H. 375. *Kreuger v. Birmingham Ins. Co.*, 83 Penn. St. 64. *Witherell v. Maine Ins. Co.*, 49 Me. 200. *Carroll v. Charter Oak Ins. Co.*, 40 Barb. N. Y. 392. *Columbia Ins. Co. v. Cooper*, 50 Penn. St. 331. *Winans v. Allemannia Ins. Co.*, 38 Wis. 342. *Lynchburg Fire Ins. Co. v. West*, 12 Ins. L. J. 51 (S. C. of A. W. V., 1882).

Ordinarily such previous knowledge or oral agreements will not be admitted as evidence in a suit at law (except in such cases where the doctrine of estop-

pel can and ought to be applied). *Barret v. Union Mutual Ins. Co.*, 7 Cush (Mass.) 175. *Pyndar v. American Mut. Ins. Co.*, 12 Cush. (Mass) 469. *Jennings v. Chenango Co. Mut. Ins. Co.* 2 Denn. N. Y. 75.

An insurance company will not be allowed to take advantage of the omissions of its agents notwithstanding the rule that all parol statements and negotiations are merged in the written contract. *Beal v. Park Ins. Co.*, 16 Wis. 257, and cases cited therein. *Lynchburg Ins. Co. v. West*, 12 Ins. L. J., 51 (S. C. of Ass. W. Va.).

To permit verbal testimony to show what was done by the agent does not contradict the written contract though the application was signed by the party, it proceeds on the ground that it was not his statement and that the insurance company by the acts of their agent in the matter, are estopped to set up that it is the representation of the assured. *Insurance Co. v. Wilkinson*, 13 Wall. (U. S.) 222. *Lynchburg Fire Ins. Co. v. West*, 12 Ins. L. J. 51.

In most of the States the Courts will apply the doctrine of waiver and estoppel, and under proper pleadings admit the evidence as to the facts, so as to enable the plaintiff to maintain his action for indemnity and not compel a resort to a Court of Equity to reform the contract. May on Insurance, 2nd Ed., 605-627. Herman's Law of Estoppel, 509-520. Flanders' on Insurance, 180-188.

It is clear that parol evidence in such cases is competent, its purpose is not to deny or contradict the written contract of the parties, but to preclude the party who framed it from relying on omissions or improper conditions, so that the risk should cover as it was represented to be. This rule ought to apply in all cases where the actual facts were fully and fairly disclosed. *North America Ins. Co. v. Throop*, 22 Mich. 146 (Ins. L. J. 98). *Ins. Co. v. Winkinson*, 13 Wall. (U. S.) 222, (1 Ins. L. J. 607), and cases. *Kansas et al. v. Minnesota Farmer's Mut. Ins. Co.*, (S. C. Minn., July, '83, 12 Ins. L. J., 657. *Mass. Mut. Life Ins. Co. v. Robinson*, 11 Ins. L. J. 162, (S. C. Ill., March '81). *Maryland Ins. Co. v. Gusdorf*, 5 Ins. L. J. 384. *Kingston v. Aetna Ins. Co.*, 42 Iowa, 46, (5 Ins. L. J., 352). *L. & L. & G. v. Verdier*, 33 Mich. 138. *Richmond v. Maguire Ins. Co.*, 68 N. Y., 434, (9 Ins. L. J., 117). *Rowland v. Empire Ins. Co.*, 36 N. Y., 550. *Commercial Ins. Co. v. Ives*, 56 Ill. 402. *Cooper v. Farmer's Mut. Ins. Co.*, 14 (Wright) Penn. 229. *Young v. Hartford Ins. Co.*, 6 Ins. L. J. 543, 45 Ia. 377. Wood on Fire Insurance, 663, Sections 400, 402 and 403 and authorities cited in the notes. *Electric Light Ins. Co. v. Fahrenburg*, 68 Ill. 453. *Devine v. Home Ins. Co.*, 32 Wis., 471. *Campbell v. Merchants Ins. Co.*, 37 N. H., 41. *Beal v. Park Ins. Co.*, 16 Wis. 257. *Columbia Ins. Co. v. Cooper*, 50 Penna St., 231. *Haugh v. City Fire Ins. Co.*, 30 Conn., 10. *Mallable Iron Works v. Phoenix Ins. Co.*, 25 Conn., 455. *Kelly v. Troy Ins. Co.*, 3 Wis. 254. *Henckle v. Royal Ins. Co.*, 1 Vesey, 317. *Kenton Ins. Co. v. Sheer*, 6 Bush, Ky., 174. *National Ins. Co. v. Oraine*, 16 Md., 260. *Emery v. Piscataqua Ins. Co.*, 52 Me., 322. *Mich. State Ins. Co. v. Lewis*, 30 Mich., 41. *Veele v. Germania Ins. Co.*, 26 Iowa, 9. *American Ins. Co. v. Mahone*, 21 Wall. (U. S.) 152. *Ins. Co. v. Earle*, 33 Mich., 143.

Wheeler v. Watertown Ins. Co., 10 Ins. L. J., 354. Wakefield v. Orient Ins. Co., 10 Ins. L. J., 249. Whited v. Germania Ins. Co., 76 N. Y., 415, (8 Ins., L. J. 368). Eames & Cooley v. Home Ins. Co., N. Y., 94 U. S., 621, (6 Ins. L. J., 689). Planter's Ins. Co. v. Sorrels, (Finn) 4 Ins., L. J., 195. These authorities either sustaining the doctrine in part or in principle, are analogous.

And it is in precisely such cases as this that the courts of law in modern times have introduced the doctrine of estoppel in pais, and the general principle is well understood and applied in Courts of law as well as equity, where any technical advantage is sought to be obtained by a party who insists upon his own wrong to defeat the ends of justice or to resist an honest claim. May on Insurance, 1882 Ed. page 161, Sec. 143 and authorities cited. Union Mutual Ins. Co. v. Wilkinson, 13 Wall. U. S., 222.

An estoppel *in pais* is allowed to prevent fraud and injustice, and exists whenever a party cannot in equity or justice take advantage of his own act or negligence. Rowley v. Empire Ins. Co., 36 N. Y., 550. Aetna Ins. Co. v. Olmstead, 21 Mich., 246. Wood on Fire Ins., 837-840. Union Mutual Ins. Co. v. Wilkinson, 13 Wall. U. S., 212. Commercial Ins. Co. v. Ives, 56 Ill., 402. Brandup v. St. Paul F. & M. Ins. Co., (Minn.) 10 Ins. L. J., 222.

It does not look reasonable that the insurers will have the benefit of the contract and at the same time insist that it never became of any effect for the benefit of the insured or was void when made.

It is true that some of the State Courts have not yet adopted (in actions of law) the modern practice of many other States, governing such questions, but adhere to the old rules, and will not permit parol evidence to raise an estoppel in such cases, but will require equity proceedings to reform the contract.

Where an agent in getting a policy, has by his own conduct misled parties into making applications or accepting conditions under a misapprehension as to their literal accuracy, the company is estopped by his action. Westchester Fire Ins. Co. v. Earle & Reynolds, 5 Ins. L. J., 63, and cases cited there. 30 Mich., 41; 28 Mich., 173; 16 Mich., 380; 21 Mich., 246; 21 Wallace, 152; 12 Wall. 285; 12 Wall., 404; 13 Wall., 222; 20 Wall., 560; 6 Wall. 129; 22 Conn., 175; 162 B., (N. C.) 316.

The correct doctrine would seem to be where there is knowledge by the insurer or his agent at the time when the risk is taken, that the Company is estopped from setting up a misstatement in reference thereto in the absence of fraud on the part of the assured. The Wisconsin Supreme Court says, in Beal v. Park Ins. Co., 16 Wis. 257: "It appearing that there was no fraud or misrepresentation committed by the assured, and every thing relating to the risk was done with the belief that after the agents had examined and visited the premises the policy would be filled so as to make it valid. An insurance company will not be allowed to take advantage of the omissions of its agents, notwithstanding the rule that parol statements and negotiations are merged in the written contract."

The company was estopped from taking advantage of the acts of its agents done within the scope of their authority; and why should not an insurance

company be estopped from setting up the knowledge of its agents, as well as the party who stands by and sees his property sold to an innocent third party?

In the case of *Rowley v. Empire Ins. Co.*, 36 N. Y., 285, Fullerton, Judge, says that: "Hence these agents render such services as are necessary to enable the contracting parties to attain their respective objects, the one to insure and the other to be insured against fire; to hold that, in performing these acts, touching the very business that must necessarily be transacted before a policy can be effected, the insurance broker becomes the agent of the applicant for insurance, would seem to be an unnecessary and undesirable refinement." It is true this case has been overruled in New York by *Rohrback v. Germania Ins. Co.*, 62 N. Y., 47, but the justice of and correctness of this position remains unanswered.

While it is not the intention of the writer to advocate or try to maintain a position that would relax any of the sound and wholesome rules that require integrity and good faith on the part of the assured; and while he would hold the assured to a strict compliance with his contract; and while he thinks the companies do not resist the payment of as many claims as they should, the idea at this point is to correct the practice of some offices as to the effect that the knowledge of the agent and his acts should have on the contract where there is no fraud.

The Supreme Court of New Hampshire, in a recent case in 59 New Hampshire, says: "The defendant had full knowledge of the state of the title, with that knowledge they issued the policy, and received the premium therefor.

\* \* \* On these facts the action may be maintained." *Folsom v. Orient Ins. Co.*, 13 Ins. L. J., 176.

It is true that there is a great weight of authority against the position assumed in this paper, but justice and fair dealing will eventually require us to adopt the position assumed herein, to wit: "that the company ought to be responsible for the knowledge and acts of its agents, acting within the scope of their authority, in the absence of fraud on the part of the assured."

We will let the highest court in our country close this argument in their own language, as found in *Insurance Co. v. Wilkinson*, 13 Wall., U. S., 222:

"Insurance companies do business by agencies at a distance from their principal place of business, and are responsible for the acts of the agents within the general scope of the business intrusted to their care, and no limitations of authority will be as binding on parties with whom they deal which are not brought to their knowledge. Hence when these agents, in soliciting insurance, undertake to prepare the application of the insured, or to make any representations to the insured as to the character or effect of the statements of the application, they will be regarded in so doing as the agents of the insurance companies and not of the insured."

"This principle is rendered necessary by the manner in which these agents are sent over the country by such companies, \* \* \* \* which often leads to a disregard of the true principle of insurance as well as fair dealing.

\* \* \* Where an agent has inserted in an application a \* \* \* representation which the agent himself obtained from a third person and inserted

without the assent of the assured, it was the act of the company and not of the assured, and did not invalidate the policy. \* \* \* To permit verbal testimony to show this was done by the agent does not contradict the written contract; though the application was signed by the party, it proceeds on the ground that it was not his statement, and that the insurance company, by the acts of its agent in the matter, is estopped to set up that it is the representation of the assured."

#### WAIVER AS AFFECTED BY USAGES AND CUSTOM.

The insurer is bound to know from the nature of the business or risk, and the usages incident thereto, that certain things will be done, or articles kept, prohibited by the policy. *Daniels v. Hudson River Ins. Co.*, 12 Cush., Mass., 416. *Mery v. Buckeye Ins. Co.*, 25 Wisconsin, 291. *Citizens Ins. Co. v. McLoughlin*, 53 Pa. St., 485. *Fowler v. Aetna Ins. Co.*, 7 Wend., N. Y., 270. *Fulton Ins. Co. v. Milner*, 23 Alabama, 420. *Hancox v. Fishing Ins. Co.*, 3 Sum. (U. S.), 132. *Spradley v. Hudson River Ins. Co.*, 1 Dill. (U. S. C. C.), 392. *Mayor of New York v. Exchange Ins. Co.*, 3 Keys, N. Y., 436.

Where an agent has examined the premises and writes a policy on the contents of a building giving consent for its occupancy as a brewery, and it is stipulated that if the risk shall be increased without the consent of the insurers this policy shall be void. And after the fire, the company learns for the first time that in addition to the brewery, that the premises are also occupied as a distillery for distilling whisky. Held, a question for the jury to determine, whether the agent was told, or whether, from the examination he made of the premises, the same would be used for the purpose of a distillery as well as a brewery.

In the case of *The Peoples' Ins. Co. v. Spencer*, there was only a stipulation against an increase of risk. Should the thing be prohibited, the result would necessarily be different. *Peoples' Ins. Co. v. Spencer*, 53 Penn., 353. *May v. Buckeye Ins. Co.*, 25 Wis., 291. *Wood on Fire Ins.*, p. 842.

In order to establish knowledge on the part of the insurer or its agent of the real facts, and a consequent waiver of inconsistent conditions, it may be shown that the agent examined the risk, and might have ascertained, if he did not, its real condition. *Continental Ins. Co. v. Kasey*, 25 Gratt., Va., 268. *Beal v. Park Ins. Co.*, 16 Wis., 257. Or that the insured informed him of the facts in relation thereto. *Moliere v. Penna., Ins. Co.*, 5 Ravole, Penn., 341. Or that the matters set up in the defense are the usual incidents of the risk. *Peoria Ins. Co. v. Hall*, 12 Mich., 207.

To avoid the effects of this evidence, the insurer may show that the matters alleged were not the usual incidents of the risk, and were not discoverable on an ordinary examination, and that the insured did not point them out. *Allen v. Vermont Mut. F. Ins. Co.*, 12 Vt., 336. 2 *Bennett, F. In. Co.*, 13.

Where the condition provides that if certain articles are kept that the policy is void, or prohibits the keeping of the same as a part of the stock, although

sanctioned by the local custom or usage, still the policy will be void, though the custom may have been known to the insurer.

The courts will not allow the introduction of evidence to show a waiver, or that it was customary to keep them. The usage must not be inconsistent with the words of the agreement. *Beer v. Forrest City Mut. Ins. Co.*, S. C. Ohio, May 18, 1883. *Macomber v. Howard Ins. Co.*, 7 Gray, Mass., 257. *Benevolent Society v. Baldwin*, 86 Ill., 479-486. *Pavey v. Burch*, 3 Md., 447. *Stagg v. Conn. Mut. Life Ins. Co.*, 10 Wall. (U. S.), 589. *Partridge v. Phoenix Mut. Life Ins. Co.*, 15 Wall. (U. S.), 573.

In the case of *Beer v. Forest City Mut. Ins. Co.*, evidence was introduced to show that it was the custom and usage for dealers in that locality to keep gunpowder and petroleum, and that the company should have known this.

The following cases show clearly that parol evidences may change an ambiguous agreement, but never a clear one: *Pary v. Burch*, 3 Mo., 447. *Macomber v. Howard Ins. Co.*, 7 Gray, Mass., 257. *Van Alstyn v. Aetna Ins. Co.*, 14 Hun., N. Y., 360. *Beer v. Forest City Mut. Ins. Co.*, S. C. Ohio, May, 1883. *Pindar v. Resolute Fire Ins. Co.*, 47 N. Y., 114. *Stagg v. Conn. Mut. Life Ins. Co.*, 10 Wall., (U. S.), 589.

On this line the Supreme Court of the United States says: "It appears to us as it did to the Circuit Court, that the testimony offered would have established a new and distinct contract. It would have established a contract very different from the written one introduced by the plaintiff; the language was neither ambiguous nor technical. It required and needed no expert and no usage to discover its meaning. To have admitted the usage offered in evidence in this case would have been to make a new contract for the parties, differing from the written one." *Partridge v. Ins. Co.*, 15 Wall., (U. S.) 579.

While on this point I will give another decision, wherein the Court presents their reasons for the position fully. The case is *Birmingham Ins Co. v. Kroegher*, 83 Penn. St., 64: "Granted that carbon oil is usually kept for sale as a part of the stock of a country store; the same may be said of gunpowder, and perhaps the reason for the prohibition may be discovered in the fact that such a custom does exist, for if the articles were never found among such stocks, this provision would be useless. \* \* \* If it were a question whether this kind of oil was an article of merchandise ordinarily included in the stock of a country store, or if it were only an inquiry as to the increase of risk, it might well be referred to the jury. But it is nothing of the kind; it is an express stipulation that petroleum and its products shall not be kept on the premises, and if so kept the policy is void. It matters not that it was a part of a customary stock, for, by express contract, it was excluded. The same reasoning applies to the knowledge of the company's agent that carbon oil was kept on the property at the time the insurance was taken, for his knowledge could not change the contract of the parties. \* \* \* But in the case before us, the company has taken care to leave nothing open for inference, or by which it might be compromised by the knowledge or representations of its agents, and if the insured were misled by the representations put upon the policy by the agent he was misled by his own counselor, and he has no one to blame but himself."

Where a company permits one to act for it, and adopts the contract which he has made in its name, it cannot be permitted to deny his agency, nor to escape the results flowing from such agency. Thus, where a policy covered the stock of a general retail store, and the keeping of gunpowder was prohibited by the printed conditions of the policy: Held, that gunpowder formed a part of the stock ("of a general "retail store") usually kept in such stores, and the keeping of gunpowder was not a violation of the conditions of the policy. *Phoenix Ins. Co. v. Taylor*, 5 Minn., 492. *Sun Fire Ins. Co. v. 6 Wendall*, N. Y., 488.

In the case of the *Peoria Fire Ins. Co. v. Hall*, 12 Mich., 202, the keeping of gunpowder was prohibited. The insured was permitted to show that the agent issuing the policy knew that gunpowder was kept, and that he intended to continue keeping it. The Court held that the company was estopped from setting up a defense of an avoidance of the conditions of the policy on account of the knowledge of the agent.

In Massachusetts, contrary to the current of authorities, the Court says if the assured shall keep on the premises any articles denominated hazardous, or included among the special hazards on the memorandum hereunto attached, "oil, sulphur, and matches were kept;" although the building was permitted to be occupied as a grocery store, it was claimed that the right was given by implication: but as the keeping of these articles subjected the risk to an extra rate, and as no written consent was given, the keeping of these dangerous articles was held to have violated the condition of the policy, and the plaintiff was estopped from introducing evidence to show that it was customary to keep such articles in the stock, as the contract was plain and unambiguous. *Whitemarsh v. Conway Fire Ins. Co.*, 16 Gray, 359.

In *May on Insurance* (1832 Ed.), page 300, commenting on this case, says: It may have been well decided on the failures of proof, that the Court certainly gave the insurer rather than the insured the advantage. No one can suppose that a person seeking insurance would ever make such a contract.

\* \* \* A similar case has also been decided in Virginia. *Portsmouth Ins. Co. v. Brinckley*, 2 Ins. L. J., 842.

In Kansas, where the policy provided that no excepted articles should be kept unless upon special consent, indorsed in writing on the policy, naming each article separately, the same has been held. *Cobb v. Ins. Co. N. A.*, 17 Kansas, 502 and 503. This case being tried first and reported in 11 Kansas, 93.

There very properly seems to be a distinction made whether the articles are kept for sale, or where they are necessary for use in the business. As the keeping of saltpetre for sale by a butcher may be fatal, while its keeping for use in his business is permissible. *Commercial Ins. Co. v. Mehlman*, 48 Ill., 313.

Where a policy was written covering a printing establishment, contained a clause exempting the insurers from liability for losses where camphene was kept, \* \* \* and it was found that camphene was used for cleaning type, the Court held the policy valid, on the admission of evidence that camphene was habitually used by printers for that purpose, and that it was the best

thing to clean type—that it was practically indispensable to carrying on the business. \* \* \* It would have been otherwise, says the Court, had camphene been used for some other purpose, “as for lighting.” *Harper v. N. Y. City Ins. Co.*, 22 N. Y., 441.

In *Hall v. N. Y. Ins. Co.*, 58 N. Y., 292, the use of kerosene was prohibited, but the stock was a photographers, and the policy covered “photographer’s stock, material, etc.” It being shown that kerosene was usually employed in the business for heating paper and other purposes. Held the prohibition did not apply, even though gas could have been used equally as well.

These cases seem to hold, and no doubt correctly, that where a prohibited article is necessary to conduct or carry on the business of manufacturing, that the insured knows or ought to know that their use is essential to conduct the business.

#### WAIVER AND ESTOPPEL AS APPLIED TO NOTICE AND PROOFS OF LOSS.

The courts have decided that where the policy conditions require notice and proofs, that they are a precedent of the assured’s right to recover. *Blakeley v. Phoenix Ins. Co.*, 20 Wis., 217. *Edgerly v. Farmers’ Ins. Co.*, 5 Ins. L. J., 846 (43 Iowa, 587).

Proofs may be waived in various ways, by the manner of objecting to the loss or by action. Any act or thing done which will mislead the assured will be considered as a waiver. Proofs and notice must be furnished in time, or the loss is not payable. *Smith v. Haverhill Ins. Co.*, 1 Allen, Mass., 297.

If notice is not furnished in time the company is not bound to speak, but might keep silent and be absolved from all liability. *Bennett v. Lycoming Fire Ins. Co.*, 6 Ins. L. J., 189.

The courts seem to make a difference between silence as to notice and as to proofs of loss. There does not seem to be a case against the doctrine laid down as to notice, cited above, while the best authorities hold that silence when proofs are handed in is dangerous as to defects, if not fatal, the cause undoubtedly being that the insurer is supposed not to know of the loss until after the notice.

Where proofs are required within a given time, and the condition was not complied with: Held, that a substantial compliance with such a condition was necessary in order to recover on the policy. *Blossom v. Lycoming Ins. Co.*, 64 N. Y., 162. *Savage v. Howard Ins. Co.*, 52 N. Y., 502. *Underwood v. Farmers’ Ins. Co.*, 57 N. Y., 500.

Held that the words “as soon as possible” admit of a reasonable construction, and require that they should be furnished with due diligence, all the circumstances considered. What would be a reasonable time where the facts are undisputed is a question for the Court, but in case of evidence to show obstacles in the way and reasonable diligence to overcome them, it is a question of mixed law and fact for the jury. *Brink v. Hanover Ins. Co.* 70 N. Y., 593 (6 Ins. L. J., 709). *Phillips v. Protection Ins. Co.* 14 Mo., 220. *Ben Franklin Ins. Co. v. Flynn & Hamm*, 12 Ins. L. J., 216 (98 Pa. 627).

The foregoing cases have been cited to show that the Courts will require proofs and notice to be furnished where there has been no waiver. It is a waiver of defective proofs of loss when other reasons are given and no mention made of the defects. *Little v. Phoenix Ins. Co.*, 7 Ins. L. J., 471. *Heath v. Franklin Ins. Co.* 1 Cush. Mass., 257. *Atlantic Ins. Co. v. Manning*, 7 Ins. L. J., 157 (S. C. Col.) *Post v. Aetna Ins. Co.* 43 Barb., 357. *Peoria Ins. Co. v. Whitehill*, 25 Ill., 466. *Farmers Mutual Ins. Co. v. Ensminger*, 12 Ins. L. J., 40 S. C., Penna.

If the Company places refusal to pay on other grounds, it is a waiver of proofs of loss. *Hartford Ins. Co. v. Smith & Doll*. 7 Ins. L. J., 140 (S. C. Col.). *Aetna Ins. Co. v. Shryer* 12 Ins. L. J. 768. *Brink v. Hanover Ins. Co.* 9 Ins. L. J., 342 (80 N. Y. 108). *Edgerly v. Farmers Ins. Co.*, 5 Ins. L. J., 846. *Taylor v. Merchants Ins. Co.* 9 Howard (U. S.) 390. *Phillips v. Protection Ins. Co.* 14 Mo., 221. *Ben Franklin Ins. Co. v. Flynn & Hamm*, 12 Ins. L. J., 216 (98 Pa. 627). *Cornell v. Leroy*, 9 Wend., N. Y. 163.

There seems to be a diversity of opinion as to whether an adjuster has power to waive proofs of loss. The better doctrine is that an agent sent by the company with power to ascertain the nature, cause and extent of the loss, has such power. *Aetna Ins. Co. v. Shryer*, 12 Ins. L. J., 768, S. C. Ind. Jan. 1882. *Brink v. Merchants Ins. Co.*, 49 Ver. 442. *Eastern, &c. v. Relief Ins. Co.*, 105 Gray 497. *Gloucester Man. Co. v. Ins. Co. Gray*, 497.

Inability to furnish correct proof of loss not company's fault but his own. *Blakely v. Phoenix Ins. Co.* 20 Wis. 105.

Nevertheless, where the insured is incapacitated by severe illness or insanity, performance of the condition is excused (but the assured will have to prove the fact). *Insurance Co. v. Boykin*, 12 Wall. (U. S.) 433.

Where the proofs are declared defective the insurer need not go any further although requested to do so, and an answer that the policy will show what further is required is no waiver. *Spring Garden Ins. Co. v. Evans*, 9 Md. 1. *Kimball v. Hamilton Fire Ins. Co.* 8 Bos. N. Y. Superior, 495.

Good faith however will require the insurer to point out the particular defect, if a strict compliance is required, otherwise only a general one may be had. In *Blake v. Exchange Ins. Co.*, 12 Gray, Mass., 265, the doctrine is held that the insurer ought to point out wherein additional or different proofs are required. Also see *Phillips v. Protection Ins. Co.* 14. Mo. 220.

The insurer must act in good faith in order to have the benefit of a violation of the conditions. *Clarke v. New Eng. Ins. Co.*, 6 Cush., Mass., 342. *Cornell, v. Leroy, Wend.*, N. Y., 163. May on Ins. (Edition 1882) pages 711 and 712.

Objections to the sufficiency of proofs must be specifically stated and their acceptance and retention without such objection is a waiver. *Walker v. Ins. Co.* 56 Me. 371. *Home Ins. Co. v. Cohen*, 20 Gratt. (Va.) 312. *Keeney v. Home Ins. Co.*, 7 Ins. L. J., 108. *Boynton v. Clinton Ins. Co.*, 11 N. Y., 554. *Priest v. Citizens Ins. Co.* 3 Allen, Mass., 604. *Pratt v. N. Y. Central Ins. Co.* 51 N. Y., 505.

Instructions to make proofs followed by a proposition to settle, which was

not accepted and was afterwards withdrawn, was not a waiver of proofs. *Warner v. Ins. Co.* 7 Ins. L. J., 628.

An offer to compromise never estops the party making it setting up any legal defense, or any right, to which the offer relates. *Cook v. Continental Ins. Co.*, 70 Mo., 610 (9 Ins. L. J., 887).

No part of a letter written as an offer of compromise admissible as evidence. *Home Ins. Co. N. Y. v. Baltimore Warehouse Co.*, 6 Ins. L. J., 39 (U. S. S. C. Oct. term, 1876).

Where objections are not made within a reasonable time, and there has been a personal investigation of the amount of the loss and negotiations for a settlement, and no mention made of said objections, held to be a waiver. *O'Neil v. Buffalo Ins. Co.*, 3 Conn., 122. *Ætna Ins. Co. v. Tyler*, 16 Wend., 385.

Where one or particular defects are made known, all others are waived. *Ayers v. Hartford Ins. Co.* 17 Iowa, 176.

Negotiations for a settlement after the receipt of defective proofs, and no objections made as to defects, held to be a waiver of the same. *Graves v. Washington Ins. Co.* 12 Allen, Mass. 391. *Hibernia Ins. Co. v. O'Connor*, 29 Mich. 241.

Where a strict examination has been held under oath covering all the facts, which would be included in the proofs, in the absence of any special demand by the Company for said proofs, held to be a waiver of the condition requiring them, and the sixty days began to run from the date of said examination. *Badger v. Phenix Ins. Co.*, 49 Wis. 396 (9 Ins. L. J., 627).

The same rule as to objections to certificates will be held as are given regarding proofs in the preceding cases. The mere taking of a sworn statement of insured and other parties concerning various facts connected with the loss, where the insured was distinctly notified that the intention was not to waive formal proofs, held to be no waiver. *Ins. Co. of N. A. v. Bainbridge*, 7 Ins. L. J., 772.

It has been held that there was a waiver of a forfeiture when a strict examination held under oath after the insurers had notice of the forfeiture, on the principle that the insurer had no right to make the examination, save only by virtue of the policy. That the act of examination recognized the validity of the policy, and that the insurer took this action after he knew of the forfeiture, and he cannot now claim it to be valid. *Titus v. Glens Falls Ins. Co.* 8 Ins. L. J., 669. *Minty v. Armenia Ins., Co.* 78 Pa., 478. On this line is the case of *Webster v. Phenix Ins. Co.*, 36 Wis., 67 (3 Ins. L. J., 931).

An appraisalment may be had and loss or damage fixed, subject to terms and conditions of the policy, and it will not be a waiver of any of the Company's rights, save as to the fixing of the amount. The same rule is true as to an adjustment when the proper reservation is made. *Whipple v. N. B. & M. Ins. Co.*, 11 R. I., 139 (5 Ins. L. J., 71).

An adjustment is a waiver of objections to notice and proofs of loss. *Havana Banking & Ins. Co. v. Mayer*, Ill. S. C.

An adjustment having been made with full knowledge that other insurance had been procured without consent is a waiver of the policy condition. *Gray*

*v. Peabody Ins. Co.*, 10 W. V. A., 560, (6 Ins. L. J., 769. *Egan v. Ætna Ins. Co.*, 6 Ins. L. J., 832. *Webster v. Phoenix Ins. Co.*, 37 Wis., 57, (3 Ins. L. J., 931). *Ben Franklin Fire Ins. Co. v. Flynn & Hamm*, 12 Ins., L. J., 216. *Harvard Assignee v. National Ins. Co.*, 52 Mo., 181.

Mere delay on the part of the Company in making known their objections to proofs of loss, does not amount to a waiver of defects therein, but their retention for an unreasonable time without objections, will be treated as such, and the Company estopped from setting up non-compliance with the condition. *Hartford Ins. Co. v. Walsb*, 54 Ill., 164. *Globe Ins. Co. v. Boyle*, 21 Ohio St., 119. *Franklin Fire Ins. Co. v. Chicago Ice Co.*, 36 Md., 102.

Proofs of loss are not waived by an alleged verbal promise of the President to send a check on his return home, which was denied by the President. *Universal Fire Ins. Co. v. Weiss Bros.*, 13 Ins. L. J., 573, S. C. Pa., April 1884.

An absolute and unqualified denial of liability by the insurer waives proofs, by the act he admits the loss, and the denial acts as a notice that the claim will not be paid on grounds other than a failure to make proofs; and the insured may commence his action at once without making proofs. *Warren v. Peoria Ins. Co.*, 14 Wis., 318. *Farmer's Mut. Ins. Co. v. Ensminger*, 12 Ins., L. J., 40. *Phoenix Ins. Co. v. Taylor*, 5 Minn., 492. *Taylor v. Merchant's Ins. Co.*, 9 Howard (U. S.) 390.

The New Brunswick Supreme Court has held that silence was no waiver. Mere silence, say some, is not a waiver when the insurer is not bound to speak, where there is no conduct calculated to mislead the insured. See *South Side Fire Ins. Co. v. Miller*, 8 Ins. L. J., 260. *Franklin Ins. Co. v. Chicago Ice Co.*, 36 Md., 102. *Ayers v. Hartford Ins. Co.*, 17 Iowa, 176. *Savage v. Com. Ex. Ins. Co.*, 4 Bos. N. Y., 1. *Kenan v. Mo. Mut. Ins. Co.*, 12 Iowa, 126.

In New York on the first trial of *Brink v. Hanover Ins. Co.*, 70 N. Y., 593, (6 Ins. L. J. 707). One of the points raised was a waiver of proofs by silence. A special agent visiting having stated that he believed there was fraud, and it was questionable whether they did not fire the store. This was about three weeks after the fire. The fire occurred about November 23rd, and the proofs were completed on the 8th day of January, and were finally filed with the Company on the 16th day of February. The Court said it (the Company) could do nothing to prevent them from furnishing the proofs, or cause them to omit furnishing them, and then claim they were not furnished in time, but it could keep silent and wait, and if not furnished in time it could be absolved from all liability under the policy. Citing *Underwood v. Farmer's Joint Stock Ins. Co.*, 57 N. Z., 500. *Bumsted v. Dividend Mut. Ins. Co.*, 12 N. Y. 81. *Worsley v. Wood*, 6 T. & R. 710.

It had through its agents said and done nothing to induce the plaintiffs to believe that the proofs would be dispensed with. All that it had said and done indicated that it had some suspicion as to the honesty of the loss, and hence should have made the plaintiffs scrupulously exact in complying with

all the requirements of the policy. The claim that the service of proofs was waived by what was said on the 16th of February, that the defendant refused to pay on the ground of fraud only; \* \* \* if proofs of loss are served in time and they are merely defective, and if they are retained without objection, or are objected to on some other ground, or refusal to pay, is on some other ground, the insurer can not afterwards set up the defect as a defense to an action for a loss. Good faith requires him to point out the defect, as his silence or conduct has induced the insured to rely on his proofs as sufficient, when he could have completed them if imperfect, he is estopped from relying on a defect thus acquiesced in. But if no proofs are served in time, and the insurer has done nothing to induce the omission, a different case is presented. There the assured has lost all his rights under the policy, and the insurer has become absolved from all liability. \* \* \* A simple waiver will not be sufficient—it must be a waiver resting on an estoppel or a new agreement. Here there was no new agreement and no estoppel. \* \* \* It was not bound to specify all its defenses at the peril of losing those not specified. By nothing that it could then say or do could the plaintiff be misled as to their proofs of loss, which were then long overdue. Before the defendant can be estopped, it must have said or done something upon which the plaintiff relied, and in reliance of which they omitted to furnish proofs. Such was not the case here, and could not have been. These views, say the Court, are fully sustained by *Diel v. Adams' Mutual Ins. Co.*, 58 Penn., 452. *Trask v. Ins. Co.*, 29 Penn., 98. *Patrick v. Ins. Co.*, 43 N. H., 621. *Bennett v. Ins. Co.*, 66 Pa., 9. *Underwood v. Farmer's Ins. Co.*, 57 N. Y., 500.

On the second review of the Brink case, 80 N. Y., 108 (9 Ins. L. J., 343), the Court reversed this decision and said: "It is now the doctrine of this Court that no new consideration is required to support a waiver by an insurance company of a condition in respect to the time of serving proofs of loss, and that it may be done by acts and conduct indicating an intention to waive such conditions, although there may be no technical estoppel. The New York Court has taken the same position in two other cases since the first review of the Brink case. See *Goodwin v. Mass. Mut. Life Ins. Co.*, 73 N. Y. 430. (7 Ins. L. J., 862.) *Prentiss v. Knickerbocker Life Ins. Co.*, 8 Ins. L. J., 708.

I have quoted the text on the first review of the Brink case, notwithstanding the Court has ruled differently on the same case since. The facts as appearing may have been different, still the arguments remain unanswered.

If the insurer will not try to be so double-faced all this trouble can be avoided. The action of many of our fraternity is not unlike the servant of the literary man referred to in the following anecdote: Who one day wished to be undisturbed and instructed his Irish servant to admit no one, and if any one called for him to give an equivocal answer. When evening came he proceeded to interrogate Pat as to his visitors. "Did any one call?" "Yes sir, wan gintleman." "What did he say?" "He axed was your honor in." "What did you tell him?" "Sure I gave him a quivocal answer, just." "What was that?" "I asked him was his grandmother a monkey."

Most attempts to be equivocal or deceitful by silence or double-dealing will eventually result in establishing a waiver and in compelling as ludicrous an answer as that of the servant referred to, or in making us think we are no distant relative of the animal Pat referred to.

Fair dealing requires us to point out defects so that the assured be dealt with even as we would have him deal with us.

In the Supreme Court of Pennsylvania, February term, 1883, in the case of the *Universal Fire Ins. Co. v. Morin* 13 Ins. L. J., 93, the Court held that where proofs were sent in and certified by the notary as having been sworn to, but the assured had not signed them, and the notarial seal was not attached to the jurat, but was to the certificate following. The assured wrote the company about his claim after sending in his proofs and their silence was held to be a waiver. This decision carries out the principle laid down in *Taylor v. Merchant's Ins. Co.*, 9 Howard U. S., 404.

Where the Court comments on the case of *Columbia Ins. Co. v. Lawrence*, 2 Peters, U. S., 25, where the Court held silence to be no waiver, the objection to the certificate being raised first at the trial but allowed the case to go back and the assured to procure a certificate, the case was finally adjudicated in 10 Peters, U. S., 507.

And as nearly all, if not all, these cases that claim silence is no waiver have been repudiated by later decisions in their own States this position would seem an unsafe one. The only safe position is to point out the defects specifically or to refer the assured to his policy as has been before suggested.

A company can safely set up other objections and insist on the insured furnishing proofs of loss, or insist on the defects in the same being corrected. *Farmers Ins. Co. v. Frick*, S. C. Ohio, April, 1877, 6 Ins. L. J., 462. *Home Ins. Co. v. Lindsey*, 26 Ohio St, 348.

The taking of another and distinct objection is not a waiver of the first, neither does one destroy or waive the other, there being no duplicity. *Blossom v. Lycoming Ins. Co.*, 64 N. Y., 62, 5 Ins. L. J., 302.

Further, how can a party waive or be estopped from taking an objection which he distinctly asserts and makes at the very first opportunity?

Where there had been a forfeiture and the assured wrote the Company and the reply was, "From the communication it is impossible to tell the object of the writer," and the agent was requested to inform him that any claim against the Company must be made in strict compliance with the terms of the policy. Held, not to be a waiver.

Upon presentation of defective proofs, the plaintiff was notified that if he had a claim, the proofs must be made in accordance with the policy provisions, and he was at the same time informed that he had violated the conditions of the policy concerning other insurance, and the Company would rely on the forfeiture. Held, that it was the duty of the plaintiff to furnish sufficient proof, and his expense in perfecting them under the circumstances did not estop the Company from relying on the forfeiture. *Phoenix Ins. Co. v. Stevenson*, Ky. C. A., 8 Ins. L. J., 922. The following from annotations from editor, Ins. L. J. on above case, page 930, 8 Ins. L. J.

The position taken by the Court would seem to be essential for the protection of the insurer in all his rights, if the mere demand for formal proofs, with a knowledge that the insured had violated a policy stipulation, were liable to operate as a waiver of such stipulations, it would follow that the insurer must surrender his rights. To demand such proofs, if he would avail himself of the breach, or at any rate that he could not safely demand proofs without at the time being careful to notify the insured of the proposed future line of defense. For it is a well settled principle in the law of waiver, that a distinct denial of liability on other grounds is a waiver of proofs of loss or their sufficiency. *Crawford Co. Mutual Ins. Co. v. Cochrane*, 8 Ins. L. J. 549. *Little v. Phoenix Ins. Co.*, 7 Ins., L. J., 471. In *Atlantic Ins. Co. v. Manning*, 7 Ins. L. J., 157, S. C. Col., and other cases cited on page 931, 8 Ins. L. J. See *Mrly on Ins.*, Sec. 464, 468, 469, 470, 473 to 477, wherein the doctrine of waiver and estoppel as applied to proofs of loss is quite thoroughly discussed.

A careful study of this subject will show that it is true in law that all agreements and conversation had prior to the writing of the policy are merged in the written contract, unless clearly shown to be incorrectly written, or that the fact was waived by previous knowledge. In all cases where the contract was not correctly written or where there is a waiver on account of previous knowledge, oral evidence may be received to establish the fact, and if clearly shown the Company will either be estopped from setting up a breach of the condition of the policy, or proceedings in equity may be resorted to, to have the contract reformed. In all other cases the Courts will not allow oral or verbal testimony to vary the terms of the written contract. In order to avoid contention and to raise the standard of the profession, the agent should inform the assured as to the part he is required to perform. He should be very particular about this point, especially when writing the contract to embrace or merge all oral agreements made with the assured, as well as all existing circumstances that will vitiate the printed conditions of the policy. Then the company will know what he has bargained for it to carry, and the assured will have the contract in his possession, the same as he has bargained and paid for, and is entitled to. Otherwise the agent is liable to find himself, sooner or later, in the predicament of a farmer I knew in my younger days, who considered himself quite sharp, and was a highly respected member of the community. Having some hams and shoulders I wished to smoke, I took them to his place for that purpose. He then proceeded to instruct me, as to how the shoulders should have been cut, they should be round at the bottom, so they would look like ham, asserting that he did so and sold them for ham and gained one cent a pound. That very day he took his shoulders (so called ham) to the country merchant and sold them for ham, receiving his extra cent a pound, and was quite jubilant in relating his sharp practice. It happened in this case that the party to whom the merchant sold these shoulders knew the difference, and explained the same to the merchant, who sent for the sharp farmer and made him take his shoulders home. The farmer plead that he had sold them for shoulders, but the merchant produced his

books which established the fact that he had been paid the price of ham, further that it was ham that he wanted for his customers. Then the farmer concluded that his boy had made the mistake, and taken the shoulders in lieu of the ham out of the store-house. We will find it more to our credit to deliver just what we have sold, and far more profitable in the long run. Do not try to palm off deception for truth, false contracts and actions for real ones, leading a man to believe that you have delivered what you have sold when you have not. Don't try to make him think that "shoulders are ham." Then it will not be necessary to blame some boy for our acts.

The adjuster should try not to deceive. If he finds that the conditions of the contract have been violated, notify the assured in a plain straight-forward manner, being careful to state plainly that liability is neither admitted or denied; but from present information it appears that the contract is void. If it is desired to have the adjustment proceeded with, that you will require him (the assured) to sign a written agreement that the adjuster's acts in the further investigation of the facts shall be considered no waiver of any of the Company's rights. If a settlement is not reached before leaving, serve a written notice on the assured, stating that from your present knowledge you are inclined to think the contract void. That you waive none of the company's rights, but stand by and maintain all of them, and if he expects to recover he will be held to a strict compliance with all the conditions of his policy, more especially to those conditions relating to proceedings in case of loss.

Whoever heard of a case of waiver claimed where the contract embraced all the contingencies bargained for, and the adjuster acted as herein directed. Instances wherein waiver is claimed rarely if ever occur under such circumstances.

In the discussion of this question it has been the intention to devote the most attention to those points where the authorities disagree, and show why the positions taken are the correct ones. And while in some instances some may think that the position assumed is against the interests of the underwriters, such is not the case. It is better for us to see our faults and inconsistencies, and then proceed to rectify them. While it is true that the companies are imposed on and defrauded far oftener than they defraud or wrong their customers, still we do not want to be like the man in the fable, who carried his neighbor's faults in a bag in front so that he could see them, and his own in a bag behind so that he could not view them. Let us be consistent and look at our own failings, and insist on their correction. We can then urge the correction of our neighbor's faults with a greater degree of consistency.

Respectfully submitted,

PETER WINNE.

Denver, Col.

The President—You have heard this paper. It is somewhat lengthy, and will pay anybody to read it a dozen times or more. It is necessary that the adjuster should know enough of law to

keep his company out of lawsuits, and by reading this paper over carefully, I think you will be able to keep your company out of trouble.

Mr. H. M. Grant—Our thanks are due to Mr. Winne for this very carefully prepared paper.

Motion is made to that effect, which being seconded, is put and carried.

Col. Kinne—I understand that this gentleman is in the insurance business himself, and I think it would be no more than right to place him on our honorary list. If he was simply an attorney, practicing law and giving his ideas of insurance law, it would be different, and I should not be in favor of making him an honorary member, but it seems he is an insurance man, and I think we can do no less than to make him an honorary member of this Association. I therefore move that it be done, and that the Secretary be instructed to cast the ballot.

The motion was seconded.

The President—Mr. Winne is one of the oldest agents in the West. He has been local agent and general agent, connected with the firm of Cobb, Winne & Co. He kindly consented to write this paper on insurance law, and it is moved and seconded that the Secretary cast the ballot for his election as an honorary member of this Association.

Ballot being cast, Mr. Peter Winne was elected an honorary member of the Association.

The President—The next on the programme is a paper on "Losses and Adjustments," by Mr. T. W. Fenn.

### LOSSES AND ADJUSTMENTS.

*Mr. President and Gentlemen*—Some are born to honors, others have honors thrust upon them. I am of this latter class. I only returned from a long absence on Saturday, and disabled, too, to find the able head of this committee trying to adjust a damage by "removal" on *his* frame and contents, said

damage being caused by the removal of a large quantity of poison — or something else—into his very small stomach. I should think his long experience as an adjuster would have suggested a more congenial beverage. The second in command turns over the duty, without any excuse, to me. Being taught obedience in my earlier days, as a soldier, I execute the orders, and trust to your leniency for any shortcomings, believing that the merit of my paper will alone exist in its brevity.

To quote the words of the Chairman of the Committee on Losses and Adjustments, "losses come before adjustments;" yet he says that the heaviest loss was once occasioned by an unfortunate (so to speak) adjustment.

Our loss account on the Pacific Coast for 1884 shows a material decrease—over \$300,000 less than 1883—while we have increased our premium receipts to the extent of over \$250,000. We have reason for congratulation in this, inasmuch as 1884 has been a season of great commercial depression, not only in California but the whole Coast, notably in the northwest—our mines less productive; our grain crops excessive, with no market; our merchants with large stocks and large expenses, and no purchasers. I repeat, that insurance companies have reason to congratulate themselves that they have not been compelled to purchase more goods and buildings.

Several towns in the northwest have been provided with excellent water works and a supply of first-class hose, notably in Tacoma, Seattle, Spokane Falls, Prescott and Tombstone, Arizona. Spokane Falls and Tacoma have furnished several large fires the past year, but we may reasonably expect them to be less frequent in the future. Several incendiaries have been convicted and sentenced to long terms of imprisonment.

The reprehensible practice of taking country risks "over the counter" without an inquiry, has enabled many unreliable men to obtain lines of insurance that could not have been obtained through local agents. This cuts in both directions, not only discouraging the local, but setting him a bad example. Over-insurance is not uncommon under these circumstances, and when the fire occurs there is but little or no action on the part of the assured to save property. It is a premium upon fires, and the writing of such risks should be discouraged. If written at all, require the applicant to sign both applications and questions, and make it a warranty. A recent legal decision, to which I refer more fully later on, showed the importance of this warranty.

Passing from losses to

#### ADJUSTMENTS.

Many locals, both new and old, claim that they are able to make adjustments in their field, and imagine that they have the ability. They are frequently encouraged in this idea by the home offices. This is a mistaken plan, not but that many locals have the ability and good sound sense, as much so as the average adjuster. I have met many such, from some whom I was glad and proud to ask advice, and gained much valuable knowledge by so doing. But locals of that class seldom ask for permission to make adjustments; they have too much good sense to mix themselves up with business that others had better per-

form, except it may be in minor cases. It is the local who dislikes the appearance of the trained adjuster, who fears that in his doing justice something will be done that will hurt his business. Such an one proceeds to "adjust" the adjuster as soon as he appears on the ground.

Every case of considerable amount of loss, or of mysterious origin, should be investigated by one who is the immediate representative of the party who is to foot the bill; it is far better to *know* that all is right, through the trained representative, than to have a *suspicion* of wrong through the untrained. Fraud, arson, and crimes of lesser magnitude are frequently detected by the experienced adjuster that would not have been suspected by the "local" neighbor of the assured. If only one case of fraud occurs in a hundred instances, then every case should be investigated. Members of the community in which a suspicious fire has occurred will frequently give the adjuster "points" that they would not to a local. A case like this occurred but recently in my own experience, and I was enabled thereby to save the companies hundreds of dollars.

And now we come to a point that is becoming a serious one to the companies and the adjusters—that is, the

#### INTERFERENCE OF CREDITORS

in an adjustment. The fire happens; in steps the creditor, and says: "Mr. Burnedout, how much are you insured for? How much do you owe? Have you saved anything? H-u-m! why, your insurance will nearly or quite pay your debts! Now, my dear Mr. Burnedout, you were doing an exceedingly profitable business; your profits must have been large, your stock new and fresh; you must show these insurance adjusters that you have met with a total loss, then you can pay your creditors, get fresh credit, a new stock—and on you go again. Don't make any compromise with the adjusters; you have lost heavily and must get every dollar—if you cannot, bring your case to us and we will see that you do."

The adjuster, under these circumstances, cannot settle without submitting to robbery. He is forced into the trap, and the case goes to the city. A committee of creditors wait upon the companies and the adjuster, with *their* statement of the loss, saying: "Gentlemen, this is the state of the case. Now you must settle according to this, or we must withdraw our business from you, and advise our friends to do the same." The matter rests a few days. Threats of a dire nature pervade the air. Finally a weak-kneed member announces that he cannot stand the pressure, and that he intends to settle. So all are forced to come in on the same terms.

#### INTERFERENCE OF BROKERS.

Brokers in the city, at least some of them, also have a habit of interfering in adjustments. They tender their advice, unsolicited, to both sides indiscriminately; block progress by their ill-timed action, and frequently prejudice the case of the assured. If their advice is asked, no one objects to their giving it, but let them keep away from any active part in the adjustment.

Their participation is indelicate, and their own good sense should teach them this. Anxiety to plead the cause of their client often leads them to such extremes as to weaken the case they advocate. I know of one, wherein a broker acted as clerk in an adjustment. His statement and figures were checked by the adjuster, and a serious error discovered. Need I say the error was in favor of his client?

Gentlemen, this is all wrong. If we have right on our side, let us stand together in the general interests of the business, and live or die as one. To my own knowledge, several cases of clear fraud have been foisted upon the companies by just such action as mentioned. Let us have more back-bone and insist upon those rights which our contract gives us.

We, by such actions, elevate our business standard, and close and lock the door against the perpetration of fraud, and in some cases of arson. It is claimed by some that the expense is too great to resist. Have we not an alliance for payment of rewards on the detection and conviction of incendiaries? Why could not something of the same kind be done with fraudulent claims? Let us take the bull by the horns in such cases. An honorable and respected member of this association once quoted, "But remember, the horns belong to the bull." Granted, but perhaps a good dose of celery, beef and iron—i. e., legal advice—might give us strength to cope with the beast, on at least equal terms.

Gentlemen, when you have a right, stand up for it—tooth and nail—and you cannot be hurt by the proceeding. You can ask for no cheaper nor better advertising than contesting a fraudulent claim. It is better than calendars, blotters or coin wrappers. And this brings us down to the law and liability under our insurance contracts, as the law interprets it.

A very recent decision of the California Supreme Court in the case of McCormick & Delanoy v. the Springfield Fire and Marine Insurance Company, is a very important one to insurance interests, and is worth epitomizing here. The points are, first, the question of title; second, reference to application. The evidence was clear upon the point that plaintiffs were the agents of the "Lick Paper Company," but applied for insurance on "their" property, and so warranted it on the application to which reference was made.

The defendants asked for a nonsuit, which was denied by Judge Sullivan. The Supreme Court finds that the lower court erred in not granting this. It further finds that respondents were not only stockholders in the corporation owning the insured property, but also commission merchants advancing money on these securities. They were not in either case the sole owners, notwithstanding the statement that such was the fact in the application. The interests of the applicant must be clearly stated in the application, and is thus a warranty.

It was then claimed that defendant "waived" the warranty, by reason of facts occurring after the fire, such facts being that the general agent and the adjuster for the company were told by McCormick & Delanoy the exact conditions under which they held the property. The Supreme Court held that there was no "waiver" in this, inasmuch as the policy contained a clause as

follows: "No officer of the company shall be held to have waived any of its terms and conditions, unless the waiver shall be indorsed therein in writing."

(Signed)

McKINSTRY, Judge.

Concurring: Morrison, Chief Justice; McKee, Judge.

Had Judge Sullivan's ruling been sustained, it would have been unsafe for an adjuster or agent of a company to investigate a loss. They might jeopardize the rights of the company. I might state further that the primary cause of the action was the refusal of the adjuster to admit a claim for a loss on paper bags, when only a stock of "manufactured Manila paper" was covered by the terms of the policy. The California Paper Bag Company entered into the manufacture of paper bags after the issuance of the "Springfield" policy, and it might be claimed the term "manufactured Manila paper" included "paper bags," but I have learned that "manufactured Manila paper" is a "trade term" to distinguish between paper made from rags and straw, and that from Manila hemp. I submit this as a "nut" for the adjusters to crack—whether the bags were covered or not?

The late Daniel R. Russell, of Missouri, stated that he was once elected to an office that was all honor—that of coroner. I, too, have been elected to an office "all honor," but the decision as to whether I have gained it, I leave in your hands, as the jury.

Respectfully,

T. W. FENN,

For the Committee on Losses and Adjustments.

The President—Gentlemen, you have heard this paper. I am very glad that he had such a short notice. He might have spoiled a good paper if he had had more time. I do not think it could have been improved upon. There are a good many points in it, regarding which I would like to hear from some of you.

Mr. Gunnison—As one of the committee, who did not do his duty in this case, perhaps I might make a few remarks, and would say particularly that I endorse all that my worthy colleague has said. I believe he has said it very much better than I could have said it myself. In regard to this matter of waiver and estoppel which he has referred to in the latter part of his paper, I might say in a sort of sarcastic way that adjusters should have a sort of a blank reading something like this: "Mr. So-and-So, insured in policy blank, will please take notice that by your fire of so and so such a date, loss so and so, we the undersigned have come to adjust your loss, and we wish it distinctly understood that whatever we do is not to be a waiver of any of the conditions of the policies or any of the rights of the insurance company. That whatever is done in this adjustment, making

out proofs of loss is not to be considered as a waiver or estoppel, and we do not waive any of our rights in this adjustment." Then we would always be on the safe side. But it is here that the courts are very willing to decide in every case that we have waived all of our rights, and that, even while we are only trying to seek for information, to get at what we want to know, we are always trying to find something wrong. We are really trying to find what is right; we want to find that everything is correct and square on the part of the insured, and for the purpose of finding something by which to make out his claim. But the courts seem to decide that we are always looking for something wrong, and therefore they take opportunity to say that we waive our rights, when we are simply asking for a proof of loss.

Perhaps this would be going too much in advance, and I do not expect it will be done, but it looks as if that would be the only way we have left to us.

The President—I will state that Mr. Gunnison might have made that statement in earnest, because I think the suggestion worthy of being made in earnest.

Col. Kinne.—In this connection I would state that for the past twelve months or more, the blanks that are in use by the Liverpool & London & Globe Insurance Company are prepared as preliminary proofs of the claim, and this matter is all boiled down and put in the claim that the claimant sends in, sworn to. I think that the suggestion that Mr. Gunnison speaks of is one that if it was carried out in all our offices is just the idea. And it can be carried out if every company that sends an adjuster in the field to take care of its losses, will do so. It is the proper way to do, so far as I can see, and I have been studying this thing for the past nineteen years.

The President—Let me ask you if you would serve this copy on him, or if you would retain it?

Col. Kinne—I always read the whole of that proof all the way through to him before he signs it. I take particular pains to do that. I don't care how trivial it is, unless it is a total loss, and

there is no use spending any more of our valuable time with the matter. Time is not so very precious when you are away off in the country, and we can spend three and one-quarter minutes reading that little bit of printed matter to him, and read it all through, and then say, "Do you understand this?" If I think there is anything crooked about the business I generally have some one there to listen to it, and if he does not put his name down as a witness, and sign it, I make the desired memorandum.

Mr. Carpenter—Our proofs of loss have the same clause, but there is one case that that clause does not provide for, and that is where you go to the assured, and he will not send in any proofs that you are willing to accept from him, and you will not accept any that he is willing to send; the consequence is you go off without any proof. He subsequently furnishes proofs on blanks that he buys, and he claims to have investigated the loss as you did. You waive certain conditions, and in that case Mr. Gunnison's notice to him would be efficacious. Speaking of this matter that Col. Kinne has referred to last, as to a notice coming from an agent in the course of business. There was a case recently occurred. We have an agent at Colton (where there was a loss), we also have an agent at San Bernardino. The San Bernardino agent took an application and issued a policy for another company—not for the Firemans Fund, but the Colton policy was issued in the Firemans Fund. The agent did not give notice of the other insurance, which was taken by our San Bernardino agent in another company, but he was not acting for the Firemans Fund. There was the conundrum, what effect the failure to give notice to the Colton agent had on the validity of the policy? He knew the Colton agent had a policy.

The President—Speaking about personal experience in this matter; I had a loss a short time ago that I thought was crooked; I went down to see the party, and said: "Now, you figure on what loss there is on this. We will leave the legal matters to the companies that we have to report to, and settle the loss that way." I adjusted the loss and fixed the limit, but I read him a paper, such as Mr. Gunnison describes, saying that we were

not responsible for their failure to fulfill the conditions of the policy.

Mr. Carpenter—There is one thing I would like to mention, and that is, I am advised that a stipulation is of no value unless there is a consideration mentioned.

Col. Kinne—We can all get a little morsel of fact out of these meetings, and I for one do not propose to forget them. I shall put that down in a book kept for that purpose, and I shall do it this afternoon, and in future I shall make no mistake in regard to that. As brother Grant says, we are bringing lots of good into the business.

Mr. Watt—Being a young member of this Association, I do not like to speak very much on these subjects until after everybody else has spoken. But there is one thing that I would like to hear about, and that is the question of brokers' interference in settling losses in San Francisco. We—every one of us, or nearly every one of us—have in our policies a clause which says that when a person has a broker this insurance broker shall be deemed the agent of the assured, and it seems to me that if a person is the agent of the assured he should be the assured's representative in case of loss. Nine times out of ten, unless a man has been through the mill once, when he comes to a loss he don't know what to do; he will want to have the coroner, as in case of death. Instead of commencing at once to save the property and assets, very often he does not know what to do, and does not know what his rights are in the premises, as he has never read over these printed conditions in the policy like a man that has been in the business for years and knows the exact meaning of every clause in the policy. He would have to study it a week or two to find out about it. So it seems to me no more than fair that the broker should step in and act as the agent of the assured and help him out.

Mr. Gunnison—Being one of the Committee, I will answer our new member, and I am really glad and pleased to think that he has raised the question. I like to see young members express themselves. It is perfectly right for a person acting in the

capacity of adjuster and friend of the company to give the assured points as to how he should proceed, and in a proper way. It is our intention to try to see that the assured gets justice as well as to see that the company does not suffer from fraud. The unwarrantable interference that Mr. Fenn refers to is the unwarrantable interference in the matter of taking the part of the assured in case of presumable fraud; where there is a suspicion of fraud on the part of the assured, as against the insurance company. That is what I understood the idea of Mr. Fenn to be, and it is the idea I endorsed in his paper. The intention was not to prevent the agent of the assured, or the solicitor who placed the insurance, from talking with the assured, but it was to prevent him from interfering in such a way as to do injustice to the insurance companies, for then he would be travelling outside of what would be the legitimate place of a solicitor of insurance. I think that is what Mr. Fenn meant, and not that he should never speak to the assured or have anything to do with him until after the loss was settled.

Col. Kinne—If the assured would give the matter in the hands of the broker to attend to the case, that would be all right, and no unwarrantable interference on the part of the broker, but some of them seem to think that it is their duty to get every dollar they can for their clients. They stay with them nights and Sundays, and prejudice them against the companies so that they are always fighting against the honest intentions of the companies to give them all they are entitled to. The broker takes the matter in hand, comes around to the insurance company and says: "Here, I am placing large amounts of insurance with you; if you do not treat this man right I will not give you any more business." The creditors of the man are called in and every method is used to get the companies to take water and fall down from a position that is perfectly correct and right. They have an idea that they are being swindled. This all comes of the practice of these brokers. I tell you we have not half the backbone we pretend to have. The matter ought to be attended to. The paper was an excellent one in respect to referring to that matter, and if it would stiffen the back of any weak-kneed brother who wants a little more business, a thousand dollars at

a half per cent. premium, it will have done some good in the business, and I hope it will have its effect.

Mr. Gunnison—In furtherance of the position I have taken, I will give an instance that occurred in this city some few years ago. A loss occurred on a building, contents and other property. It turned out in our investigation that the building was really a combination of old shanties; that the business of a store was carried on in one building for a long time, and that the owner of the store bought an old building and joined it to that. A few months afterwards another building was joined to that, and so on and so forth, until quite a large territory was occupied by these several buildings which were insured as one. We found that to be the case, and, as everybody knows, a new building can be removed from an old place for about \$200. With that knowledge in view, we called for appraisers on the building. While we were on the ground, the solicitor, who had no further business there, only that he had solicited the business, happened to come up and said to the insured, "that building is worth so much; you could not rebuild it short of so and so." He got around the appraisers and said: "you could not rebuild that building short of so and so. It is a terrible loss—a terrible loss." He kept at it until he tied the hands of the adjusters completely. That man got fifty per cent. more than the building was worth, just through this interference.

Mr. Ferry—I have had two cases in the last ten days. They were small, but they serve to show. A fire occurred right where there was a pipe running up, and they had to tear away the plaster to get at the pipe. The damage was nominal; probably five or six dollars. There was no damage whatever, consequently there was no loss, and I satisfied the assured of it. Next day the broker came around and said: "Why don't you pay that man the loss?" I told him that the man didn't claim any loss, and that there was no damage. The broker said: "I have been around to see him, and you must have misunderstood him. He wants his money." I had to pay that man the loss, simply because the broker told him he could have that money to fix the flue.

The President—I will state for the benefit of Mr. Watt, that there are brokers and brokers, There is once in a while a broker that we would like to have come around and help fix up a loss. The adjuster prefers to deal with the assured, or with some agent of his. If you have to deal with a broker, a creditor and an assignee, all in the same policy, you will find that you will have your hands full.

Mr. Watt—It seems to me that the broker makes it his business to be a broker. It is his business; he attends to it, year in and year out, and attends to all the details of the insurance business. It is, in my mind, perfectly legitimate for him to advise his client. I did not expect you all to agree with me, but am glad I raised the question.

The President—It is legitimate to advise, but Col. Kinne used the word “interference.”

Mr. Guunison—I think it is legitimate, but very indelicate.

Mr. Watt—Different adjusters would call it differently; one would call it unwarrantable interference; one would say justifiable advice.

Mr. Carpenter—I may say that our policies have a clause in them providing that where there is a loss, proofs shall be made by, and all actions pertaining to proving said loss shall be, with the assured, whether the loss is made payable to a third party or not. I do not know that that would bar out his duly authorized agent.

The President—What effect would that have on the policy payable to a third party, where the assured neglected to make proof of loss.

Mr. Carpenter—I do not know. If he did not want to live up to his contracts, we would not care.

The President—But the parties to whom the loss was payable? What would become of them?

Col. Kinne—They would have to wait until the other parties made proofs.

The President—The next on the programme is the report of the Committee on "Rules for Apportionment."

Mr. Gunnison—I hardly know why our President has dove-tailed it in between the standing committees. However, it comes in turn.

The President—A little explanation is, I think, necessary. We put Mr. Lee next to "Local Agents," and Mr. Winne next to "Forms of Policies," and Mr. Gunnison next to "Losses and Adjustments." This is why they were dove-tailed in.

Mr. Gunnison—I would like to know how the Committee on the Rules that have been offered here is going to get away with them in any other way than by a long report. Of course, we have got to go through all the examples or problems that have been offered here for the last two or three years, and try every one of them. First by the Kinne rule, and then by the Sexton rule, and then by our own rule, and then by some other rule, to see how they would work, in order to be able to make up this report.

## RULES FOR APPORTIONMENT.

*To the Fire Underwriters' Association of the Pacific—*

GENTLEMEN—About one year ago a committee was appointed to investigate the merits of the rules laid before the Association, touching the matter of apportionment under non-concurrent policies; said committee to report a recommendation, if either rule was found worthy of adoption. Since that time I have been frequently notified by the Secretary that a report would be in order (at certain meetings held during the past year), but have not so far been able to respond. Lately, have been politely requested to report at this annual meeting. In compliance with this demand, I hereby offer you this "Minority Report," the chairman, Mr. Dornin, declining to act, upon the plea of want of time, and hope it may be found acceptable.

The subject is a vexatious one, and a matter that has occasionally troubled the still waters—still, because they run deep—of the oldest and wisest of insurance circles at the East, where insurance men are supposed to know more than has been forgotten by their brethren on this Coast. Many rules for the apportionment of losses, under non-concurrent policies, have been invented, each inventor believing he had found the much-coveted prize. Yet none have been able to stand the test of time, or, at least, to fill all cases and satisfy all minds. Almost any experienced adjuster can produce a suppo-

sitious case, not unlikely to occur, that none of the old rules will apportion and do justice to all sides. Even the courts have been divided in their opinions, but have at last settled down upon the broad principle of law, that the apportionment of such losses shall be made, in each particular case, under some rule that would give to the assured the whole of his loss under the terms of insurance in any case that might arise. Protection to the assured is the fundamental principle of this legal decision. I may not have quoted exactly to the letter, and presume I have not, for I quote from memory; but I think that I have approximated the sentiment of the decision as laid down. I believe no decision has as yet been rendered by the courts under a policy containing a clause in its conditions governing the apportionment of a loss where non-concurrent insurance occurs—at least, I know of no such case. From this decision, which may be intended to do no injustice to the underwriters, I think there is no appeal, and should be none. If the courts will go a step further, and adopt a rule that shall be found to fit all cases that may arise, they will confer a blessing upon adjusters of fire losses that will entitle the Judges to a monument of gratitude.

Some time since, Col. C. Mason Kinne, one of the brightest insurance minds on this Coast, himself a practical adjuster of fire losses, offered for the consideration of this Association, a rule which, later on, came to be known as the Kinne Rule. He gave, in several full and lucid statements, the reasons for the faith that was in him. The *Coast Review*, with commendable care and patience, published all statements and proceedings of the Association touching this matter. Col. Kinne claimed, I think, that his rule would meet all cases successfully, and would practically demonstrate its usefulness by solving satisfactorily all problems that could arise under non-concurrent policies; and he invited any one to show, if they could, any reasonable case in which it would not justify that claim. So far as I know, he has not been answered unfavorably.

Soon after the above events, William Sexton, Esq., one of the most experienced and longest-headed men in the profession of adjusters, laid before the Association another rule, which in process of time, came to be known as the Sexton Rule. He, also, claimed much for his rule; but owing to his well-known modesty, has never, to my knowledge, claimed absolute perfection. Again, long statements on both rules, explanations and examples were filed with the Association, and many debates ensued, all of which were generously published in the *Coast Review*. Debates ran high, each rule having its adherents. During a lull in the storm, and under a stress of parliamentary usages, a committee was appointed, as first above stated, of which the undersigned considers himself an unfortunate minority. Not unfortunate, or a minority by reason of difference of opinion, for he professes entire ignorance of the minds of the other members of the committee, but unfortunately from the fact that the burden of investigation and report seems to have fallen upon his shoulders.

Adjusters and special agents are a very doubtful quantity, and their presence in any one place so uncertain that it seems almost impossible to get a

meeting of the committee in full numbers to discuss the question or form any concerted plan of report.

To say that I have not given the subject thought, would not be true. In fact, I have given it more thought than practical effort. I imagine that this want of practical effort on the part of the members of the Association as well as that of the committee, is the reason why this vexed question has not been settled long ago. This tardiness in taking hold of the matter in the proper way might be considered ungrateful conduct toward the learned gentlemen who framed the rules, and a poor recognition of their subsequent thought, study and labor. Should this Association be so fortunate as to promulgate an absolutely perfect rule for the apportionment of losses under non-concurrent policies, it shall do itself high honor in the field of insurance progress, and the authors of these rules honor the Association and themselves in presenting to your honorable body the coveted opportunity.

I intend that this report shall be brief, and I shall not tire your patience with many problems, and tedious elucidations of same in support of my conclusions. I had the good fortune, a few months since, to meet with a case that offered the desired chance of practically testing these rules, and also of comparing these with my own old way and, happily, also, with one of the old rules published many years ago. One of the policies interested in the loss referred to above, contained in its conditions a clause binding, or attempting to bind, the assured to a certain rule of apportionment, whether other interested companies or the assured concurred or not! The following is a copy of the clause, to wit: "In the event of partially non-concurrent insurance, then, to determine the liability of this company, it shall be assumed that policies, other than specific, shall contribute with specific policies in the proportion of the value of each item covered by the specific policies, bears to the total value of all the items covered by the specific policies." It will be seen at a glance that this does not conform to the requirements of the rule suggested by the courts and referred to above. When the writer arrived upon the scene of loss, the adjuster employed by said company had already adjusted the loss upon all the items, and apportioned the loss under said clause, as he was in duty bound to do. A referee of the assured had refused to accept this apportionment, and was hard at work trying to devise a rule of apportionment that should give his client what he deemed his just dues. I have referred more particularly to this, to show that there are yet a few fire underwriters who deem self-preservation the first law of underwriting, although the highest courts of the land may rule, over and over again, that others have rights that underwriters are bound to respect.

But the case in point was not an unusual one, or very complicated, and was quite like the very many supposititious ones we have been regaled with so often in the last two years or more. "A" company insured stock; "B" covered on stock and tools, and "C" covered on stock, tools and fixtures. There was loss on each of these items, and very much mixed. I shall not tax your patience by giving figures and details. Naturally the apportionment, under the clause, had to be referred back to the home office, and I took advan-

tage of the opportunity and offered the problem to Messrs. Kinne and Sexton to solve under their respective rules; also, handed the same to the actuary of my own companies. The result, including the apportionment under said clause, was curious indeed. Without troubling you with figures, I will simply state the result. By the apportionment under the old rule, as shown in above clause, the assured would lose several hundred dollars, which, of course, one of the fortunate underwriters saved. The Kinne rule gave to the assured all his loss, and as it seemed to me, did no injustice to the underwriters. The Sexton rule varied considerably from the latter, making, however, a less discrepancy against the interests of the assured as shown under the said "clause," but showing, to my mind, an incomplete apportionment of the loss. The actuary's and my own results were exactly alike, and varied only a few cents from the Kinne result.

I therefore came to this conclusion, to wit: That the old rule, as shown in said "clause," is at variance with the Courts, and will never do; that the Sexton rule will not be satisfactory in all cases, and that the Kinne rule, as it appears in this case, is the most satisfactory, and the most likely to stand the test of practical use. This opinion may be said to be premature and superficial, founded, as it is, upon the working of one practical case only. It is the best I have to offer. Those who may think this conclusion is unwarranted, most likely, are those outside of the Committee and parties closely interested, who have not given the question one thought, or tried to compare the merits of these rules, for want of time, or want of application and energy, but very willing to shift the labor and responsibility on to the shoulders of this Committee.

I do not claim that I am correct, nor do I feel sure that I shall be endorsed by this Association, but in order to put the matter in a proper form before you, and for the purpose of determining the sense of the members present, I beg leave to offer the following suggestion, in conclusion of this too lengthy report, to wit: That a resolution be offered at this meeting endorsing the Kinne Rule, as the rule of the Fire Underwriters of the Pacific, in the apportionment of losses under non-concurrent policies, whenever a difference of opinion shall arise between interested parties.

San Francisco, Feb. 17, 1885.

Respectfully submitted,

A. R. GUNNISON,  
Minority Committee.

The President—You have heard the report of the Committee, or this portion of it. Some of its members that we expected to hear from, are not in the city.

Mr. Gunnison—Mr. Rule is out of town. I expected he would be here and have something to say.

Col. Kinne—I had not the slightest idea what the deductions and conclusions of the gentleman would be until he finished his last words in the paper, and to say that it is satisfactory to me, would, of course, be unnecessary. I am glad that there is some one, either on the Committee or outside of it, who had the audacity to come into this Association and recommend that we do something. I don't suppose the Association will do anything. They have been recommending and thinking about doing something so long that we can't get out of that course. As brother Lee says, we are in the old rut, and I hardly expect the Association will pass a resolution at this time. By agitating it for the next four or five years, there might be a resolution passed. I think we *ought* to take some action, adopt some rule that will be equitable to all hands, and certainly give the assured his money. I think we ought to do it, and I have said so for years, and still think that it is just exactly what ought to be done. Since we have a report from the Committee in a report from a portion of the Committee, it certainly is in such a condition now that the others can do the talking, and Sexton and Kinne can lay back on their oars, and see what the others have got to say about it.

The President—Somebody said it was a cold day, and it is a cold day when anything comes up about rules, and Kinne and Sexton don't talk. The position I am placed in has made me a little awkward in this matter, as I didn't know just how it was coming out. In fact, I expected a unanimous report in my favor. I don't know exactly how to start in now. Mr. Grant, will you please take the chair?

Mr. Sexton (the President)—I think it was two years ago, or three years ago, that this Committee was appointed to report on rules, and I was one of them. Mr. Grant was President of the Association, and I told him I had found some kind of a rule that I thought would work. Well, he insisted on my introducing it. If I had known the trouble I was going to get into, I would have thought twice before he would have induced me to get my foot into it, as it were. I introduced the rule, with a proposition something like this: that this rule, with such amendments as

your experience could make to it might answer the purpose, and that was about the only argument I had in its favor at that time. The matter came up at a meeting about a month after, or two months afterwards, I have forgotten which, and we talked it over. Some of you will remember it. It was then put off until the next meeting. At that time I was away, away a good deal of the time, and a resolution was passed that the rule was no good. If this is not correct, some member can correct me. The next meeting, along about the middle of the summer, Col. Kinne's rule was introduced, and I was here. He introduced it, and when I got a chance, as soon as I got off alone, I sat down, and to my own satisfaction, knocked the rule endways, but it didn't hurt the Colonel a bit. It came up again at the last meeting, and I wrote an article, showing up the Kinne rule, and where it would not work; though I was not here to see whether I made it plain to the members or not, but that brought it up before the Association again. By working at these rules for some time, I found that it would be necessary to have some definite contract, not so much because of the rules, as it was on account of having some definite contract in our policies. The contribution contract, which, if you will look over your clause, you will find covers nearly everything.

I would like to see some of Mr. Gunnison's figures on this, for the benefit of the Association, and I would like to do a little figuring myself. I have never had an opportunity to figure before you or to talk to you other than in a written paper. Before the matter is disposed of, I should like to have a blackboard for a half an hour or so. If the matter could be fixed for ten o'clock, I would like it. I cannot make the motion.

And further, Colonel Kinne is called to attend a meeting of the Grand Army of the Republic to-morrow afternoon, and he and I had a sort of private agreement, that if we could push this thing through before dinner to-morrow, we would do it, that is, if it was satisfactory to the balance of the members to close our meeting by noon. I told him I would do what I could to close it. If this matter could go over to ten o'clock, it would accommodate him.

Col. Kinne—It will be entirely impracticable to postpone the matter to any hour to-morrow morning, and attempt to do the subject justice. If Mr. Sexton proposes to use any examples and demonstrate to the members of this Association the practicability of any one rule and the impracticability of another, it would simply lead to like explanations and examples on the part of others. The idea that we should have a committee, before whom we could sit down for a half day or several half days, if necessary, and show them this and that and the other, a jury of experts, as Mr. Dornin expressed it, when he made the motion a year ago, is a good one. The intention was that we should sit down before them and show them how this thing would work and how we thought the other would not. It would consume the entire day to-morrow, and it is important enough to consume all that time or more, if we intend to do anything about it, and if we enter into an elaborate discussion and examination of the pros and cons of this subject. To postpone the matter until to-morrow would be of no use whatever. I shall necessarily be absent in the afternoon, and all I want in the forenoon session is to read the *Knapsack*. I am entirely satisfied that you can do nothing in the way of examples and explaining the matter. It takes too much time, and there is too much to be said about it. Mr. Sexton knows how long he has studied over the matter, and it can't be simply passed over in a moment. The idea of having a committee was in my opinion, a very sensible one; a "jury of experts", and then they could draw their own conclusions, but that has all come to nothing, and I feel very much disgusted to think that it has. I am glad one member of the Committee has seen fit to draw his conclusions in the matter, irrespective of whether it was in favor of one rule or another. I am glad to see one member of the Committee has studied the matter a little and arrived at some conclusion. A jury of experts might possibly get at this thing.

Mr. Sexton—I am perfectly willing to be limited to 20 minutes, so far as the blackboard exercise is concerned. I am pleased to hear the report of Mr. Gunnison. He decides on a case that had a rule already, in one of the policies, consequently it was

one that did not apply, and it was hardly a case that I would take to show the effects of a rule that I introduced. I am willing to limit myself to 20 minutes, and don't want any longer time than that. I want to prepare some data for the matter. I would rather push some other matters along in the Association, as well.

Col. Kinne—Why could not that be made a special order for a meeting to be called next week? We might all remain over for a week to see this thing fixed up. Say next Monday, at 10:30 o'clock.

Mr. Carpenter—It seems to me that if Colonel Kinne were willing to limit himself in the same way as Mr. Sexton is, the thing might go over until to-morrow. We could then talk it over to-morrow morning. If we put it off to a monthly meeting, there would not be so full an attendance as there is now.

Col. Kinne—Very well, 20 minutes will do for me.

The Chairman (Mr. Grant)—Further discussion on the subject of rules for apportionment will be in order the first thing to-morrow morning. We will now hear from General Houghton, on the subject of legislation and taxation.

(President Sexton resumed the Chair.)

## LEGISLATION AND TAXATION.

*Mr. President and Gentlemen of the Underwriters' Association of the Pacific:*

Your Committee on Legislation and Taxation regret exceedingly that owing to unusual preoccupation of its members immediately prior to the annual meeting, they will be unable to do more than to announce a few propositions which will merely furnish a text for the sermon which they might and ought to preach upon these vexatious subjects which confront the Underwriter, coming from as many different points as there are States in the Union, with Legislatures to enact laws to govern and regulate, and make machinery for the enormous interests involved in fire and marine underwriting and life insurance.

Every business in the land, all classes of property, and the most prudent of our citizens seek the protection of this great arm of our political economy in the elaboration of the code and principles framed for the government of

which, the best and brightest minds of our country for generations have given their best thought and action, the result of which is the enunciation of the general principles which should govern this great interest, as they are found in the Codes and Statutes of our oldest States, which have had the most to do with the intricate questions which daily arise in the commerce of a great country.

In contradistinction with these great and broad principles which have their foundations laid deep in the everlasting principles of right, justice and fair dealing between individuals, are the bills introduced at every session of not alone our Legislature, but of every State in the Union, containing propositions having their origin in popular prejudice based upon imaginary wrongs; in narrow minds who refuse to see two sides to any question which has a corporation upon one side, and in the lack of time of legislators to fully investigate the multitude of bills laid before them. Some of these propositions, entirely subversive of the principles upon which this great interest is based, become a part of the law of the State which permits their enactment, creating in the various States incongruous, contradictory, and confusing laws to the great annoyance of the fraternity, and injustice both to the insurer and the insured, and set at naught the labor of years of study and thought of men who have made underwriting the business of their lives.

It is hardly necessary to refer in detail to these laws, with which all members of our Association are familiar.

Your Committee are of the opinion that the radical cure of all these annoyances and hindrances to the legitimate business is *national legislation*. We believe that the Congress of the United States should in concise and forcible language, declare to the people the principles upon which this great interest is founded, and establish rules, regulations and conditions, upon compliance with which any corporation organized in any State for that purpose, may so long as solvent, do business in any State of the Union, and be at once relieved of the great variety of requirements which the irregular enactments of the several States impose, and of all the objections which the ingenuity of an Insurance Commissioner can invent.

We believe that all insurance companies have ever been ready and willing to pay their proper proportion of all taxes levied for the support of the whole government, and we protest that taxes for the support of charitable or other institutions or individuals, not imposed upon other corporations or citizens generally, should not be collected in any manner from insurance corporations. In regard to the taxation of the insurance corporations organized outside the United States, and doing business therein, your Committee have yet to find one instance where complaint would be made for such reasonable taxation upon income for the privilege of doing business, as good judgment and fairness would suggest.

Respectfully submitted,

J. F. HOUGHTON, Chairman.

The President—You have heard this report on “Legislation and Taxation.” You have heard a good deal about legislation lately—a great deal. Has any gentleman any remarks to make?

Mr. Carpenter—In regard to having national legislation, it occurs to me that there might be a question as to whether that would be constitutional, as far as the different States were concerned. I rather doubt whether Congress could pass a law providing that an insurance company might do business in all the States in opposition to the laws of those several States, should they choose to pass it. The several States tax railroads which pass through different States, and I don’t believe the Congress of the United States can pass a law which will prohibit the several States from taxing insurance companies.

Mr. Ferry—One is taxed on property, and the other is taxed on income. The States cannot tax the incomes of companies, but the property.

The President—The next on the programme is “Fire Department and Water Supply,” by E. Brown, which will be read by the Secretary.

## FIRE DEPARTMENT AND WATER SUPPLY.

*Mr. President and Gentlemen*—In the brief and hastily written accompanying report there will be found no effort at fine writing, no ornate language, no rhetorical flourishes, rounded periods or flowery perorations. The subject is eminently a practical one, dry and uninteresting (if anything pertaining to water *can* be *dry*) to all but the managers of insurance companies, and field men, and there will be more of a *watery* hue than of a *fiery* complexion in the treatment of the subject. We have endeavored to gather a few statistics which shall furnish some information to the members of this Association and to the “principal representatives” of this city.

The subject of water-supply and of fire-appliances forms a very important branch of an insurance education, and we think you will agree with us that but little attention is paid to the branch. Agencies are planted, rates are named, lines are assumed with reference more to the construction of buildings in a town than to the facilities for extinguishing fires. This should not be so. Brick buildings will burn, the handsomest and most solid structures will crumble to ashes unless the means for bringing water are in proportion to the size of the town and to the character of the buildings therein. Lofty build-

ings are put up in places where the pressure at the hydrant is insufficient to throw a stream over an ordinary two-story structure, and where the only chance of fighting fire comes from the ill-directed efforts of untried volunteer fire organizations, and where the fire must rage unchecked until the cold water in the boiler of the engine can be converted into steam, a process necessarily involving the waste of much valuable time, during which process the incipient fire has attained a headway which renders it far beyond the control of the limited fire appliances at hand.

If managers and their field men are so careless in respect to the subject of fire protection, it cannot be expected that local agents will be very well informed, but the ignorance of the average local as to the condition of the water supply, the pipes, hydrants, etc., in his own town is something astounding. All he knows is that there is a water company, that it has pipes of some kind laid down, and that the engine, or hose company, as the case may be, gets water when necessary. He has water in his own yard and kitchen; if he lives in a modern built house, in the bath-room up-stairs. Further than this he never inquires. The idea that it is part of his duty to examine into the adequacy of the protection afforded, and, if the system be found insufficient, to do whatever may be in his power to remove the evil, is an idea which has not entered his mind.

There are many noted exceptions, though, and we have found local agents thoroughly well informed, able to point out where the protection is insufficient, and quite accustomed to make use of their knowledge as an argument in favor of insurance. Several of the reports which your Committee has received prove that they have been written by competent judges, fully posted on the subject matter.

Your Committee sent out letters of inquiry to a number of the interior towns asking for information. A synopsis of the replies we now proceed to give, premising that it was not thought necessary to say anything about the fire departments and water supplies of San Francisco, Sacramento, Oakland or Portland. There are extensive reports extant of the protection afforded to these four cities, to which access can readily be had. It might be proper to say that the report on San Francisco, written in 1878, demonstrated that this city has a better and more effective water supply than probably any other large city in the Union. The same report pointed out one or two very weak spots in the system, and the committee making that report were promised by the Spring Valley Water Company that any defects in their system should be remedied at once, providing the expense in so doing was not too excessive. The committee showed that the distributing pipes in that portion of the city south of Market street were far too small, and that not only the pressure at the hydrant in consequence was materially reduced but that there was an insufficient amount of water to fight a large fire. The defect is a very serious one. That portion of the city is closely built up, contains most of our manufacturing, many large and valuable blocks of business property, and is the home of a large population. The water company has done nothing, and the situation is even worse to-day than it was seven years ago.

Some agents applied to for information have failed to respond, and the list is not as complete as we would have liked to have made it. The first place your attention is called to is—

#### LOS ANGELES.

This town is very fairly protected, and when the improvements in the pipes now contemplated shall have been made, there will be but little to find fault with, except that the number of engines is insufficient for the size of the place. There are two steam fire engines, three hose carts, 2,000 feet of hose, one Babcock hook and ladder truck. The town has a telegraphic alarm. The water supply is ample—one reservoir holding 10,000,000 gallons and one holding 500,000 for the supply of East Los Angeles. There are other reservoirs, holding together about 5,000,000 gallons, for the supply of the hilly parts of the city. The main supply pipe is of 22 inches diameter. The distributing pipes are small in size, but are being replaced with larger ones. At present there are eighty-three hydrants, but fifty new ones are being put in. The average pressure at the hydrants is about forty-five pounds.

#### SAN JOSE

has four steam engines, six hose carts, about 4,500 feet of hose of all grades, with fire alarm telegraph not owned by the city. Water supply is uncertain and insufficient for a place of the size. It is taken from Los Gatos Creek and flumed into a reservoir below Los Gatos, holding about six days' supply, from whence it is brought to a smaller reservoir three miles from San Jose, and at an elevation of only 80 feet above the center of the town. From there it comes through a 16-inch supply pipe to San Jose and Santa Clara. The company have two storage reservoirs above Lexington, each covering about seven acres in extent and of an average depth of 21 feet, from which they draw when the water in the creek is low. In dry seasons they pump from artesian wells into two large tanks having an elevation of about 80 feet. The main pipes are of 11 inches diameter; distributing pipes, six, five and four inches. There are 114 hydrants. This number, considering the great area of the town, is insufficient. The pressure at the hydrants is about 25 pounds. The department is a paid one, but is not so efficient as it should be, owing to the low salaries paid. The Chief gets only \$50 per month, and is compelled to work at his trade to eke out a living. Engineers and drivers get \$80, but the latter have to furnish their own horses.

#### STOCKTON

has three steam engines and one Babcock, 3,605 feet of good hose, 23 fire alarm telegraph boxes. Water supply quite inadequate. It is pumped from two artesian wells and a number of small bore wells into two 50,000-gallon tanks, elevated  $72\frac{1}{2}$  feet from the ground. There are no hydrants, and the engines get their water from cisterns, of which there are 37 of small size,

some filled by three-inch pipes from the water works and some from springs. This town is probably the most unprotected of any large town on the Coast. It needs a large main from the pumping works leading to and through the business part of the town, with hydrants at the crossings, also more cisterns and of a larger size.

## MARYSVILLE

has three steam fire engines and 2,700 feet of hose. Water supply is derived from two 12-inch artesian wells, one 80 feet in depth, the other 180 feet, from which the water is pumped into tanks holding 150,000 gallons. The pumps have a capacity of 70,000 gallons per hour. Like Stockton, this town has no hydrants, but has 21 cisterns of large size, stated to be capable of holding 30,000 gallons each.

## SANTA ROSA

has one hand engine, out of service, two hose carts. Water supply is good, is derived from large storage reservoir  $1\frac{1}{2}$  miles from town, but at an elevation of about 80 feet only. The supply pipe is 15 inches in diameter, the distribution pipes are 11, 7, 5, 4 and 3 inches diameter respectively, hydrants 23 in number, pressure 30 pounds. The hydrants are altogether too few for a town of the size of Santa Rosa, and the pressure is insufficient without the assistance of a good steam fire engine.

## NAPA

has one hand engine, one hose company, 1,850 feet of hose, eight Babcock extinguishers. The water supply is ample, the main pipe is 12 inches in diameter, the distributing pipes are eight, six and four inches. There are 43 hydrants with a pressure of 45 pounds at the outlet.

## NEVADA CITY

is one of the best protected towns in the State, it has no engine, none being needed, it has two hose companies, with 2,000 feet of good hose. The water supply is abundant, coming from large reservoirs situate about 210 feet above the mean level of the town. The distributing pipes are generally of good size, but susceptible of improvement. There are 30 hydrants, and 5 new ones are being put in. The pressure at the hydrants runs from 75 to 160 pounds, and is sufficient to throw water over any building in the town.

## CHICO

has two steam engines, and one hand engine, five hose carts, number of feet of hose not stated. The water supply is from the Holly System, pumping either direct into the tanks or direct into the mains, the mains and distributing pipes are eight, six and four inches diameter; of hydrants there are 32, cisterns 16, pressure at the hydrants can be readily worked up to 100 pounds.

## EUREKA

has two steam engines and one hand engine, 3,000 feet of hose. Water supply is inadequate, is derived from artesian wells, from which the water is pumped into a 275,000 tank, from whence it flows through a ten-inch wooden pipe, with connections at cross streets, there are eight self-filling cisterns and six hydrants supplied by six inch distributing pipes.

## SANTA CRUZ

has no engines, has two hose carts with 1,300 feet of hose. Water supply is very good indeed. There are several reservoirs of large capacity and an unfailing supply. The mains are eight and six inches in diameter, distributing pipes four and three inches. There are 45 hydrants, with an average pressure of about 45 pounds.

## VIRGINIA CITY

is probably the best protected town for its size in the United States, possibly in the world; its water supply is inexhaustable. It is brought from Marlette Lake, 18 miles distant from the town, by a flume and under the Washoe Valley through two iron pipes having a resistant power of 1,200 pounds to the square inch. This flume feeds three tanks for the use of the town, besides supplying all the hoisting works and mills. The tanks are 110x20x10 feet in size filled direct from the flume through eight inch connecting pipes. From each tank there is a ten inch pipe running into and through the town, with distributing pipes of sufficient size. Thus there are three distinct systems, which can be used separately or in connection with each other, just as desired. There are 83 hydrants, and the pressure from the mains is so great that it has to be regulated by gates. Hydrant streams can be thrown over the top of the loftiest building in town. The hoisting works and mills have independent systems, which can be used for protection of the town, if required. The fire department consists of two engines, two two-horse hose carts, two hand engines, with 7,000 feet of hose. The department is paid and is exceedingly efficient.

## OGDEN

has one hand engine, 1,800 feet of hose, bell tower and watch. The water supply is excellent, taken from the Ogden River and led through pipes to a reservoir holding 500,000 gallons with a head of 125 feet above the town level. The mains are 12 and 8 inches in diameter, distributing pipes 6 and 4 inches. There are 35 hydrants with an average pressure of from 35 to 65 pounds.

## HELENA

has two steam fire engines, one hand engine, three hose carts, 1,550 feet of hose, with 42 fire alarm boxes. The water supply is fairly good. It is being added to, and a new reservoir is to be built at an elevation that will give about

75 pounds pressure at the hydrants. There are 20 cisterns, supplied from flumes and pipes, and furnishing an almost inexhaustible supply, and 15 double hydrants.

## SEATTLE

has three steam engines, one hand engine, 3,500 feet of hose. The water supply is inexhaustible. The mains are 12, 10 and 8 inches, distributing pipes 8 inches in diameter. There are 18 hydrants with an average pressure of 78 pounds. The town also has cisterns, and inclined planes have been constructed down to salt water, so that in case of fire in the lower part of the town, engines can draft from the bay, if needed.

## VICTORIA, B. C.

Though only three offices are represented in this town, for their information we append the following. The town has two steam fire engines, two hand engines, five hose carts, 5,000 feet of hose. Water supply is ample, taken from two lakes having an elevation of 192 feet above the mean town level. The main from said lakes runs through the whole length of the town, is 12 inches in diameter. Distributing pipes are 5 inches. There are 11 cisterns and 52 hydrants, with an average pressure of from 46 to 60 pounds.

From the above statistics, it will be seen that the greater part of our towns are very fairly protected, but that in some cases the means for extinguishing fire are very inadequate. Whether it is the business of fire insurance companies to take such steps to improve the position in these few, and in other towns which have not been herein enumerated, or whether it is their business to take things as they find them, is a question to which there are two sides, and each side has its advocates in our ranks.

We cannot leave this subject without expressing the view that insurance companies, their officers and managers, should sternly set their faces against complying with the frequent request made to them to contribute towards the expense of furnishing or maintaining fire apparatus. It is our business to sell insurance, and to grade our prices therefor in accordance with the hazard of the subject to be insured. If a town be without protection of any kind, or be inadequately furnished, a much higher rate should be and usually is charged than if through the forethought and prudence of its residents, it has been furnished with an ample supply of water and all appliances for the proper use of that water. In the latter case our charges for indemnity against fire loss are moderate, and thus we contribute largely and directly, both to the first cost and to the maintenance of the protection provided. This is all that should be asked. On the other hand, whenever the public spirited citizens of a growing little town become awake to the fact that they are in daily danger, and cast about to raise funds to improve their position, then they turn to the local agents for contributions. The "local," not having been educated to understand the impropriety of the request, sees nothing unreasonable in it, and,

anxious to attain the good will of his townsmen, immediately writes long letters to his companies, urging their compliance with the said request, invariably arguing that by so doing, such companies will find a largely increased business in proportion to their liberality. The general agent or manager, not having the stamina to say no, authorizes a subscription. Before long in comes a letter saying that Messrs. So-and-So and Mr. Such-a-one, whose policies are about to expire, demand a reduction in rates because of the greater safety of the property since the new fire engine—which he has helped to pay for—has been put in service. This is an old story familiar to us all. Two years ago, we think, the able gentleman who now occupies the chair of President of this Association, furnished a spicily written article on this very subject, in which he took the peculiar ground that the establishment of fire patrols was a great mistake, and a step against the true interests of the companies. His ideas met with but little favor then. New thoughts in opposition to preconceived methods usually fail to win approval. It is just possible that some of us have by this time come round to his way of thinking. We may have realized before this that the money which we so freely expended, has been chiefly effective in reducing the volume of business, and in cheapening the rates on the amount written. How many times in the last few years have we found a fifty thousand property carrying a twenty thousand line? How many times have our efficient fire patrol force spread their covers and kept down what would otherwise have been a total loss to a 40 per cent. damage, only for us to find that we have netted a 5 or 10 per cent. salvage, whilst the assured has escaped loss altogether?

Respectfully submitted,

EDWARD BROWN, Chairman.

The President—The next on the programme is the Report on "Statistics," by C. D. Haven. I understand from the Secretary that the report is a very short one, and I presume it will be in order to adjourn after it is read.

## PAPER ON STATISTICS.

SAN FRANCISCO, February 17th, 1885.

*To the President and Members of the Underwriters' Association of the Pacific :*

DEAR SIRS—Your Committee on Statistics beg leave to present their report, inclosed herewith, consisting of comparative tables of San Francisco and country business for the year 1884, in which we have followed the form adopted by previous committees, and which we think should be adhered to in future years for the purpose of uniformity, as statistics of this character become more valuable after the lapse of years.

Respectfully submitted,

CHAS. D. HAVEN,

A. P. FLINT,

Committee on Statistics.

## COMPARATIVE TABLE OF CITY AND COUNTRY BUSINESS—1884.

AMOUNT OF FIRE INSURANCE PREMIUMS AND PER CENT. OF SAME RECEIVED  
BY EACH CLASS OF COMPANIES.

COMPANIES.	State.	Per cent.	City.	Per cent.	Total.	Per cent.
California.....	\$663,735	27	\$366,210	19	\$1,029,945	23
Eastern.....	992,266	39	696,239	35	1,688,505	38
Foreign.....	838,688	34	927,630	46	1,766,318	39
All Companies.....	2,494,689		1,990,079		4,484,768	

## LOSSES AND PERCENTAGE OF SAME TO TOTAL PREMIUMS AS ABOVE.

	State	Per cent.	City.	Per cent.	Total.	Per cent.
All companies .....	\$862,811	34	\$416,669	20	\$1,279,480	28

## PERCENTAGE OF PREVIOUS YEARS' BUSINESS, LOST OR GAINED BY EACH CLASS OF COMPANIES.

COMPANIES.	State.	Per cent.	City.	Per cent.	Total.	Per cent.
California.....	+	05	—	007	+	029
Eastern.....	+	22	—	15	+	19
Foreign.....	+	008	—	04	—	017
All companies.....	+	09	+	02	+	06

## TOTAL COAST BUSINESS, SHOWING PREMIUMS AND LOSSES AND PERCENTAGE OF SAME OF EACH CLASS OF COMPANIES.

COMPANIES.	Premiums.	Per cent.	Losses.	Per cent.
California.....	\$1,467,392	23	\$596,796	25
Eastern.....	2,290,057	36	760,885	33
Foreign.....	2,583,497	41	994,106	42
All companies.....	\$6,340,946		\$2,351,787	

Percentage of Losses to Premiums 1884, 38 per cent.

After the reading of the Report, the meeting adjourned until February 18th, at 10.30 o'clock, A. M.

## SECOND DAY.

February 18th, 1885.

The meeting was called to order by the President at 10:30 o'clock A. M.

Mr. Ferry—This matter of the Kinne and Sexton rules is not before the Association formally, that is by motion or resolution, and I would simply offer a resolution so as to bring it before the Association, not in any way to prejudice the case of either party, or to signify in which way I will vote. The resolution is as follows: "That this Association hereby recommends the use of the Kinne Rule for the apportionment of loss under non-concurrent policies in all cases of difference of opinion arising between interested parties."

The President—The next in order is a reading of a paper on "Classification," by Geo. W. Dornin.

## CLASSIFICATION.

*Mr. President and Gentlemen of the Association:*—At the earnest request of your President, I have, with many misgivings, prepared the following paper to be read before you, but I feel as though I ought to apologize for doing so, as the large majority of you are so much my senior.

The subject of Classification is one to which I have given considerable thought during the past year, and it was probably a knowledge of this fact that prompted one or two of my friends to urge me to write this article. It has never been touched upon at any of our meetings, yet it is worthy at least of a hearing, and was first suggested as the topic for a paper by an article by a prominent Eastern underwriter, that appeared recently in one of our New York insurance journals, in which he says: "Most companies keep Classification Books: these books; however, are extremely deficient at best, unless reduced to a much finer system than is practicable for a company doing an extensive business."

That these books, as generally kept, are "extremely deficient," is undoubtedly true, but I differ with the writer in the latter part of his remark, viz.: that a finer system is impracticable. Such a system is practicable, and furthermore, almost indispensable, and should be kept by every company doing a fire underwriting business. Without it, we must necessarily be working to a great degree in the dark. From his remark I infer that because the task of arriving at any satisfactory results is difficult, and entails considerable work, he would abolish the system altogether, and trust to Providence to help him show a neat percentage of profit at the end of the year. Is this the correct principle to work under? We are here striving to make money for our companies, and to do so in a business such as ours, in which the difference between profit and loss is represented by a very slight percentage one way or the other in rates, and in a territory where every extreme of hazard and construction is met, it becomes absolutely essential, in order to adjust such rates on a fair paying and equitable basis, that we should know the exact cost in the way of losses, of each class of business with which we deal.

A merchant will not go on year after year selling his hams or his calicoes, and more especially such merchandise as fluctuates greatly in value, without the slightest idea of their cost. He knows exactly what they stand him, and the percentage of loss or waste thereon, and calculates his rates of charge accordingly. If he finds at the end of a series of years that he has been constantly losing on a certain line of goods, he will either close out in that line or advance the charges to a paying basis. It is this knowledge of the cost of each article that enables him to successfully carry on his business; without it, his chances of failure are assured.

It is so with us; it is just as impossible to manage fire insurance intelligently without an idea of the cost of the various classes of hazards with which we deal, as for that merchant to carry on a profitable business under similar conditions. It is evident that the only resort we can have for such information must be our Classification Books; we must classify, and this can be done in a general way, at the same time securing enough specific information to make the results intelligible, instructive and profitable, and that too, with a comparatively small outlay in expense and labor.

Up to a little over a year ago, we had kept in our office a "Special Hazard Register," recording therein in full, under its proper heading, the number,

name of assured, amount, premium, etc., of each special hazard written. This never proved satisfactory; it was neglected; risks were left off here and there, and in fact it became entirely unreliable for any sort of information, and was finally abandoned. Under this old system, which is similar, I believe, to that now in use by the majority of our companies, all stores whether detached or in range, in San Francisco or in the worst constructed town on the Pacific Coast were grouped together, and the loss, if any, deducted therefrom. It mattered not what was the cause of the fire. That it started in a Chinese laundry four occupancies away, cut no figure, but the fact that we had lost a thousand dollars on a frame store was enough, and it was charged to stores. A few moments thought will convince one that a system such as this, which makes one class of risks accountable for the losses originating in another entirely foreign to it, must give a very false idea of the real cost of a hazard in the way of losses.

Feeling that there must be something better, I secured all the styles of classification to be had; but none, so far as found, suited; none would pay for the work involved, and I was therefore left to my own resources.

In studying the matter, the subject grew upon me; the extent to which one might go seemed boundless, and there appeared no practical way to limit it. But a system was at last evolved, which will, with such changes as experience suggests, prove entirely feasible.

Let us begin by listing the hazards alphabetically, numbering them from one to fifty or more, embracing therein every class of risk with which we would likely have dealings. Blacksmith shops (brick); blacksmith shops (frame); boarding and lodging houses (brick and frame); breweries; canneries for fruit and fish; hay in stack and hay in warehouse; and so on through the schedule. Dwellings should be listed; theatres and all other special hazards have their places, and of the number, public buildings may form one, including in this, schoolhouses, seminaries, churches and similar hazards. Where risks are detached and subject only to the hazards incidental to themselves, they should be classed according to their occupancy, as per the list spoken of; but if frame, and exposed to frames with different occupancies, they take on another hazard—that of the *range*. It stands to reason then, that they should not be classed with detached risks of like occupancy. Therefore open an account for *ranges*, and embrace under this head all exposed frame risks, dealing with them entirely, regardless of their occupancy, for they are liable to burn from any one of a dozen or more hazards peculiar to the various exposing businesses.

In this way we can arrive at the total amount and premium written on detached risks of the various kinds, and also at the amounts and premiums of range risks. If a detached saloon burns, the loss should be charged to saloons; but if a saloon in range burns from a fire originating two or three doors off, the loss should be charged to the range hazard, where it properly belongs, and not to saloons, which were not responsible for the fire.

*Brick buildings adjoining frame ranges* should be given a place, and be dealt with as the heading suggests, as it is evident that no reliable data

could be obtained by grouping such risks with detached bricks or rows of brick occupancies unexposed by frames; therefore they must be classed by themselves.

There is a chance (comparatively small), for a fire to originate, in either of the above cases, in our own insured risk, from some cause peculiar to the risk. Should this occur, the premium obtained on such risk may, with little work, be deducted from the hazard where it was originally put, and credited to its particular class, and the loss deducted therefrom. The changes necessary from such causes will be very few. As far as the other insurers in the block are concerned, the loss will be charged to ranges, where it properly belongs.

It may happen once in a while, that we have a risk which cannot be classed in our list, and is not of sufficient importance to open a place for. Therefore drop it into a miscellaneous class, thus accounting for the amount and premium, enabling us to balance and prove our work.

After arranging this part satisfactorily, we begin to think of grouping the towns, for it would hardly do to class San Francisco risks—say saloons or stores—with the same class in Virginia, Nevada, or some little four corners in Colorado or on the San Joaquin plains.

So we will divide the cities and towns into four groups, A, B, C and D; making another class, E, embracing therein everything outside of towns altogether. Thus we secure a classification of 250 divisions; or more properly 50 hazards with five subdivisions under each. This gradation of towns is to be made according to construction of buildings, water supply, fire department, etc. Some of the towns booked as "D," may from time to time, improve in all these points, and be advanced to "C" or even to "B" class, as may be thought best, without affecting the system. To facilitate the work, have prepared an alphabetically arranged list of the A, B and C towns; say fifty in number, and in passing on the reports of policies issued, the inspector will note thereon the hazard and class of town by number and letter; thus, 50 C indicating a frame range in a "C" class town; 10, E, a frame store in the country, and so on. These numbers and classes would soon become familiar, but if forgotten, a glance at the card will give them.

The clerk, in making up his "condensed register," should note this in a column provided for the purpose, and during the day jot the amounts down in a memorandum book, footing up for each hazard from time to time during the month, so that at the end he will have the gross amount written. To this add the reinsurance canceled; the reinsurances and cancellations being then deducted will give the net figures for the hazard. A few minutes' work only would be required to get the amount canceled, reinsured, etc., from the respective books as the same memorandum as to class should be kept on those as on the condensed register.

I need not explain the manner for classifying the losses; it will be similar to the above and require very little time. The results obtained in this way will be approximately, if not absolutely correct, and give a knowledge that must pay a hundred-fold for the labor and expense of obtaining it. With it,

one will secure a pretty accurate idea of what has been profitable or unprofitable business, and can be guided accordingly in accepting or rejecting lines. If we find that boarding and lodging houses in A, B and D towns have yielded the greater proportion of premium derived from that class of risks, and would have been paying business but for the heavy drain on that hazard from fires in C class, from which very little premium was drawn, the chances are that by withdrawing from the C class altogether, we will be able to show a neat profit in the remaining towns without tabooing the whole lot, as would probably be done under the old system.

Of course, if allowed to accumulate from day to day, the labor of catching up would become like any other work in our office, if allowed to drag—simply immense; but if kept up to time, a few minutes each day, with a couple of hours of work at the close of the month, will be all that is necessary to secure the results we are after. It will take one, two or three companies years to arrive at results that will give them the benefit of the “law of average,” but if a dozen or more of our companies were to adopt the same system, even though as imperfect as this, we would soon have data which would be not only useful to ourselves, but of material aid to our Compact managers in their efforts to make a uniform and equable adjustment of rates.

GEORGE W. DORNIN.

The President—I need not apologize for introducing this paper; it is more than usually interesting as this matter of classification is just as important to the Adjuster as it is to him to find out what he should pay. I hope the Association will appreciate its value.

Geo. F. Grant—It is only fair to Mr. Dornin to say, that after having done so much and having bestowed such pains upon the preparation of this paper, that the suggestions he makes are like the planting of trees. The next generation will have the benefit of the shade of the tree, and the next generation will have the benefit of these figures, and of his system. I think that we as special agents should use our influence with our managers to secure a system that will be concurrent, and by which at least the Pacific Coast business twenty years from now, can be definitely ascertained as to its profits or losses, and the desirability of a hazard, and in time I see no reason why, with the development that naturally comes with investigation the fire business should not be conducted on the same safe principle of the life business, as to its average. I am very glad,

we are all glad, to know that Mr. Dornin has prepared his paper.

The President—I think this paper is of more value than the Sexton or Kinne rule. The matter of statistics, as we have been keeping them, and as I have found in a case of loss, and everything pertaining to it, simply gives us a general idea, that amounts to nothing, and proves nothing. When you come to detached buildings, if they were separated out, it would be all right; but when we have, as we have frequently, a fire in some Chinese laundry or carpenter shop, that burns some dwelling that is fifteen or twenty feet away, or perhaps closer, we charge that to dwellings which ought to be charged to “range.” It has always seemed to me so utterly foolish and nonsensical that no dependance is to put upon it. It seems to me that we will not have to wait until the next generation before the benefits of this system that Mr. Dornin has presented to us will be realized. We could realize it in the course of two or three years, or five years at the most, and we are all going to live that length of time anyhow. Then let all adjusters understand that they must not say that the origin of the fire was in an adjoining building. There is no sense in that. Get at the origin of the fire; say that it was caused by an explosion of a lamp. That is where we have got to get right down to business, and from the data which may be furnished by us all, we can decide upon what is an adequate rate for this or that or the other risk that we write.

Mr. Ferry—There is one thing that has been neglected, and that is that an incendiary fire should not be charged to any particular risk. It should be separate. We all know that if we discover that a certain fire is an incendiary fire it is not inherent in the risk.

The President—It strikes me that in that case all the pay for incendiary hazards would have to be taken out of the stockholder's pockets. There is an inherent incendiary hazard that we might call a temptation hazard. For instance, in the case of a quartz mill.

Mr. Ferry—Keep that in the different classification and charge it to incendiary; for instance, supposing in the course of the year you have a dozen fires of this kind, one in a dwelling, one in a barn, and one in a quartz mill—charge them all to incendiarism.

Col. Kinne—The idea is that there is an inherent hazard pertaining to quartz mills and hay barns, that do not pertain to dwellings and general merchandise stores, and should be charged to those risks as a part of that particular risk. There is a great deal of truth in the remark that there are certain kinds of risks that are exposed to a greater degree of danger from incendiarism by the temptations that surround them. For instance, a barn, a quartz mill, or a saw mill after the logs are all sawed up. All those things are really a part of that particular risk, and do not pertain to dwellings, dwelling houses, warehouses and ordinary brick buildings.

Mr. Ferry.—That is my idea exactly. Ascertain what that incendiarism hazard is.

The President—Let me ask you what you would charge it to.

Mr. Ferry—I would ascertain what the incendiary is, in making up my own opinion as to what to charge it, and should put the two together.

Mr. Mel—We should keep the classification of our business that way by subdividing it more thoroughly as Mr. Dornin remarks. For instance, class 43 looks very bad this year, because there were several large fires in brick buildings. It looks very bad indeed, whereas, if they were separate and detached buildings and ranges we would see what the loss was. I would be very much pleased to show our classifications to Mr. Dornin, if he desires to see them. They take up quite a large book.

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A recess was then taken for one hour to enable Messrs. Sexton and Kinne to demonstrate by examples on the black-board their respective methods of apportionment under non-concurrent policies as promulgated by them in their individual rules.

The Association having again come to order the President called for the reading of the *Knapsack* by its editor, Colonel Kinne.

Col. Kinne—If there is anything before the meeting which is going to have a full discussion, I would like to be present rather than to read what is called the “Knapsack,” which is very good in its way, but does not settle losses, or apportion non-concurrent policies by any method at all. I think the Association could do something of that kind. The *Knapsack* is here, and can be unbuckled at any time we want it.

The President—We will now take up the resolution offered by Mr. Ferry at the commencement of this morning's session. My proposition was that the rules be submitted to the various adjusters, and that they figure on them awhile. Col. Kinne and I have been figuring on them for a long time. As I said before, I don't think a majority vote of what few members are here would bind the companies' contract, and I would not bind any company I represent now or may represent in the future, and I don't think anybody else would. On a matter of this kind, each company likes its own contract. If it were an unanimous vote, it would be different.

Geo. F. Grant—We cannot force any office in this town to accept anything, even if it is the unanimous opinion of this Association. That we all understand. If it were possible I would make the motion that *both* rules should be adopted as the sense of the meeting, but that is an impossibility. It seems to me that the gentlemen who devised these rules have waited so patiently for the members to make up what they are pleased to call their minds, as to what course to pursue, that it is only fair that we do something. I therefore second the resolution of Mr. Ferry.

Col. Kinne—It seems to me the resolution is broad enough to cover anything. Of course I feel personally interested, and it could not have been worded in better shape. If there is no difference between you, you don't have to go to any rule. We have been working on this point for three or four years, and if

every new member wants a year to study it up, we will never have any rule.

Motion to adopt the resolution was then put and carried.

The President—Next in order on the programme is the “Knapsack.”

### THE KNAPSACK.

GENTLEMEN:—Following out the military appearance and cognoman of this adjunct to our Association, the following semi-military order for supplies was sent to each of our members, and in consequence we have—

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#### CIRCULAR.

EDITORIAL ROOMS, 422 CALIFORNIA STREET,  
SAN FRANCISCO, January 30, 1885.

*To the Officers and Members of the “1st California Underwriters”—*

GENTLEMEN—Those of you that are not on the sick list, are expected to provide supplies for The Knapsack without delay. You know what is needed, and it would be useless to suggest to old campaigners like yourselves; but as the undersigned has to provide transportation, it is quietly hinted that we would like know by the 10th prox. just about how much hard-tack we shall have to haul.

It will depend largely on yourselves as to how the provisions hold out when on the march; and we promise to properly care for all supplies sent us.

Very cordially yours,

C. MASON KINNE, *Editor*.

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#### EDITORIAL.

At the time of the writing of this article, the turning up of the flap of our Knapsack reveals a yawning breadth and a cavernous depth of nothingness. But we have sent out our order for copy, and will say a few words and then lay them carefully away at the bottom of our commodious receptacle, as a nest-egg which shall soon be increased by the outpourings from many a fertile brain and facile pen.

We feel to say this with a certain degree of confidence, as the Knapsack has become a feature, if not a power, in our Association. We have solid

meats served up to us by the various committees at this our annual feast of reason, but the Knapsack furnishes the salad and the dessert that renders the regular courses more palatable, and now and then pops in with a flow of sparkling fluid that makes the still wines of useful and labored addresses all the more palatable. Add to this the aroma and bouquet of spicy anecdotes, and what more can be wished?

Of course, there may be a little of egotism in all this; but as the fledgling of six years ago has shed its pin-feathers and is now fully arrayed in all the panoply of adult plumage, and as we propose to turn over our sanctum, our quill, and all our right, title and interest in the plant and profits of the Knapsack at the close of this volume to some fresher and abler man, we may at least be permitted this little expiring cackle.

But really, we have done some good with this frayed, aged and well-creased receptacle. We have increased our capital—brains—by the emanations from others, and have gotten many good ideas evolved by those who never would have dared to start in on a regular essay over their real and true name. We have asked, "*What's the use?*" of doing certain things; and you have replied. We have admonished you, "*Don't forget!*" and some at least have borne in mind the good things suggested. We have given an opportunity for those not regularly appointed on committees to be heard from annually, and we think the result has been, that all along the line some good has been brought into the business.

THE EDITOR.

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#### ANNUAL MUSTER, FIRST CALIFORNIA UNDERWRITERS.

By Our Regular Poetical Contributor.

First, Sexton appears, with visage so merry—  
 He sticks to his rule, "To build up, not to bury!"  
 And having worked long with a Carpenter able,  
 Though he ne'er made coffins, he *can* make a table.  
 Then Kinne draws near, and he bears on his back  
 A terrible burden, the "California Knapsack;"  
 He, too, has a rule—'tis as plain as can be:  
 "To do all that he can for The L. L. & G."  
 Next, Mitchell approaches, on his banner so gay,  
 "The oldest and largest in *Ameri-ca!*"  
 Erect and with face all full of hope,  
 Tho' he carries a *mountain*, enters our Pope.  
 Then Farnfield approaches, the banner he bears:  
 "In Union is strength," very truly declares.  
 Belden's off for the Islands, or he'd be here to-day,  
 And he for himself would have plenty to say;  
 But he left word with us, "Though our emblem's a *deer*,  
 Our policy is not—that one thing is clear!"  
 Who is this, whose presence casts such a gloom  
 Over us all, as he enters the room?

A feeling of sadness (?) pervades the still air  
When every one knows that George Grant is there.  
Luxuries are excellent things indeed,  
But Staples the best in time of need;  
A first-rate sample of these is here,  
When we see the stalwart J. W. appear.  
Ask Hagan and Manheim, their answer will be:  
"He's more than captain—he's the whole *company*!"  
My time is too short to mention them all,  
As they rapidly enter to be at roll-call;  
But if any should feel exceedingly vexed,  
We'll try and remember them in time for our next.

D. M. B.

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All kinds of experience come in the way of the scouts of our business—the specials—and even the episode recorded in the following rehearsal of a stage-ride up-country, gives the experience of many a grizzled old veteran in the business.

#### THE COWBOY.

Much has been written and said about these erratic and supposed uncultivated sons of the prairie. It is true, that when on a tear or bender they are apt to use a large amount of vermillion, and thereby obtain an unenviable notoriety. In their calmer moods, and when brought in contact with business men, they can act as decently as other folks. On a recent trip in Montana, during a long two days and a night's stage ride, three San Francisco specials got aboard the stage, and found two of the veritable cowboys seated therein. After gradually feeling their way, these specials opened a conversation, and the aforesaid cowboys feeling flattered by their attention, became softened from their accustomed bluntness, and in a short time were quite at home with the representatives of the various insurance companies, and songs, jokes and yarns were the order of the day, and although the ride of itself was a most uncomfortable one, the specials were much amused at the rough cordiality and ingenuous manner of their traveling companions. They related many incidents of their shooting scrapes, protracted sprees and practical jokes perpetrated on each other, and more particularly on the newly arrived stranger, the so-called "tenderfoot." About half way through our journey, and near midnight, during a heavy storm, we arrived at a military post, when a dapper little commissary clerk, accompanied by a black and tan dog, appeared at the stage door, and there being one seat vacant inside, he got in with his dog and seated himself beside our friends, but his face showed his terror when he saw by their dress and appearance who they were. However, we started, but had not gone far when the dog gave a tremendous yelp, doubtless caused by a slight pinch of his narrative; and upon his owner expressing himself in what our friends thought insulting language, he was politely informed that his room would be preferred to his company, and in fact fright-

ened the poor devil to such an extent that he hailed the driver to stop and took his seat on top of the stage in the pouring rain, in preference to riding in what he thought such very bad company. The three specials, after dozing through the dark hours of night, interrupted at intervals by the jerks of the stage through some rocky stream or enormous chuck-hole, arrived at the breakfast station, and noticed that our friend and his dog gave the cowboys a very wide berth. We finally reached our destination and the specials received a most cordial invitation to visit their range next year, and assured them of a right merry time, and it should not cost them a d—d cent. This article is intended to show that these much abused people can be made good traveling companions by a little courtesy, and by taking an apparent interest in them. Travelers are very apt to look down upon them as unfit to talk with, and treat them with much indifference. By unbending a little it places them at their ease, and although not always necessary to go as far as the average special, a far more enjoyable trip can be had than by keeping them at a reserved distance. N.

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#### A YOUNG ADJUSTER'S POINTS.

In one of those towns up yonder, which burn with such regularity that I always pack my grip-sack on the third Monday in June, I met a special who gave me more of joy than I had experienced in thirty-six months, for he said a new thing—a funny thing—and to this day he knows not that it is so, which is the best of all.

It was thuswise: For reasons of importance it was necessary to reduce the builder's estimate to the minimum. Hence each item was scanned, examined and talked about to that extent that the worthy contractor gave signs of rising irritation.

Window-glass was under discussion, when suddenly my special gave a start, his eyes bulged out, he gasped for breath, and in a tragic voice exclaimed:

"*Glazier's points? fifty cents? FIFTY CENTS???* Why, my dear sir, any glazier would be perfectly willing to give you all the information you require for *nothing!*"

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A "high private" sends us the following as an apology for not filling our requisition for supplies:

SAN FRANCISCO, February 4, 1885.

COL. C. MASON KINNE, Editor *California Knapsack*:

DEAR SIR: Your lank, long, lean, lugubrious-looking "knapsack"-sheet came duly to hand, and either its own hungry look, or your of "all sad words of tongue or pen" thereon endorsed, would give one the opinion that foraging among the adjusters, has not been very successful in this campaign. Your *copy* is that of a starved sort of knapsack, and I could not help the opinion that the *original* might gobble up almost anything, from "trifles light as air"—or still lighter editorials from the morning papers—up to, or down

to, a ponderous dissertation upon the uncertainties and mutations of the life of the average adjuster and the *grave* probabilities of where he will "round-up" in the "sweet by-and-by"!

Right here I might invent a conundrum and a joke for the columns of the *Knapsack*, but I will very reluctantly forbear. The conundrum would have been something like the following, to-wit: "When was Sankey, of Moody and Sankey fame, most like the Irish lady who bore male twins?" Answer, "When he rendered successfully the Sweet B'y-and-B'y!" The joke that naturally follows, I have forgotten, so that is lost!

But where was I, or, rather, where am I? Oh, yes, the *Knapsack*! Its gaunt, spectral form looms up before me, ever beckoning, always alluring, haunting, haunting, ever calling, calling, calling "give us more, ever more!" Well yes, my dear Mr. Editor, I have been preparing for this raid, and have been packing my private knapsack, in order to be able to respond to your demands. Many nice little sweet-meats are tucked nicely away, and, if they have not spoiled in the keeping, shall be at your command. I will unpack said P. K. and "see what we shall see!"

1st. I find on the bottom, which of course came up top, upon inverting the said P. K., a bright joke, founded upon the curious condition of insurance affairs, about the commencement of the past year. The scene was laid when the old board, the new board, the non board and the go-it-alone-company-without-any-board-to-float-on, were having a quadrangular fight for business, with the "devil" in the centre trying to catch the hindmost, as a homely phrase of the old 49'ers, elegantly expresses it. This quadrangular fight furnished a fine field for fun and sarcasm, and all for the benefit of the *Knapsack*. But, alas, for human plans and human hopes! They "gang aft aglee!" Since that the aforesaid go-it-alone-party has formed a compact, all by itself, and the devil declares that the *hindmost* is so far *ahead* that he despairs of ever overtaking that party. Therefore, I give it up, what His Satanic Majesty cannot catch on to I am forced to let go.

2d. Meeting our worthy, and Sir Walter Raleigh-like Fire Marshal on the street, one day just after a fire in a rickety, old range, I reminded him, with commendable self-conceit in my tone, that, of course, he intuitively knew where to find the insurance companies, interested in all such old, tumble-down rat-traps, while I made a knowing gesture over my shoulder, in the direction of several insurance offices. With a Chesterfieldian wink, that made me very happy, the F. M. passed on. I immediately made a note of this *joke* in my P. K. It is still there, and there it shall remain, for just below, I find the following: "Note—Upon going to my office, I find the F. M. has been there and given notice, that the most rickety of the rickiest of that rickety range was insured in my agency." I am not going to give myself away by publishing this in the columns of the open-mouthed *Knapsack*!"

3d. Farther down in my upward search in said P. K., I find the history of my own experience, upon a subject that is vitally interesting to the Association of the Pacific, judging from the time and space given it. I refer to the "Rules of Three," if not more, now before the Association—and, not only

now, but have been ever since I can remember and likely to be, till time shall be no more! Having two or three months spare time on my hands, I thought I would try and fathom the depth of these rules, or, at least, try to digest one of them. I procured copies of the *Coast Review* for the last forty years, and a blank policy of the "Luminary" Insurance Company, and hid myself in a redwood forest. I took the dose slowly, by installments, as a child first tastes his physic to see if it is good—believing it is bad. It worked! It worked well! It nauseated me and I threw it up! But as that was the only effect it had, I immediately voted it a *poor* rule. It only worked *one* way! The Underwriter always came out best!—A blank here occurs in my P. K., and I cannot tell which one of all the rules I first struck. This dooms me again to disappointment, as I can make no use of the above item for the *Knapsack*, until I can remember which rule to caution your readers against. It may have been the "Illuminated" one, the *brightness* of which I could not withstand! *Quien sabe?*

4th. Again, I "see my fondest hopes decay"! I had a capital joke, at the expense of one of our well known specials, describing a hotel adventure "founded on fact." But, I am sorry to say, on turning to my own diary, I find it will never do! He might be inclined to turn the tables on me. *Table L'hote* and all!

5th (and last). I had prepared a very, very funny tale, entitled, "Schneider and his Doll, or the Midnight Revel on Ecker Street." Time, about the last hour of last year, or the first hour of the present year, the exact date being mixed. But upon second thought, I am reminded that the Fire Patrol, No. 1, is located there, and that the members sleep with their eyes open, and the question might be asked, "Where were you, your own self, at that hour of the night?" So "the better part of valor" forbids, and the *Knapsack* loses another bit of forage!

And now, Mr. Editor, under all these most distressing disappointments, I am sure you will let me off duty for this campaign. As an old comrade, I ought to know how to get off duty, when the duty is irksome or distasteful. I think I could teach some of the younger specials "how not to do it." When an old soldier has done nothing, can do nothing, has nothing to do and nothing in his own knapsack, how can he divide with his superior officer? Please consider this letter private. Yours truly,

A HIGH PRIVATE.

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#### A STRONG ARGUMENT.—A FACT.

A San Francisco General Agency Office having received word from one of its local agents at quite a distant point of the total loss of one of its risks, mailed the local a blank form of "Proof of Loss," and instructed him to adjust the matter. The form of the policy covered items as follows, viz: \$350 on frame building; \$350 on stock of wines, liquors, and cigars, and \$50 on bar-room and household furniture.

When the proofs were received at the San Francisco office, it was shown

that the loss under each of the items considerably exceeded the insurance on same. But the local explained he was able to make a salvage of \$50, as he had found out that a week or so before the fire occurred, the assured had sold a bedstead and the bedding belonging thereto, for the sum of just \$50; and even though the loss on bar-room and household furniture amounted to \$150, he thought the \$50 the assured had received from the sale of his bed was as good as the Company's \$50, for which it insured his furniture. The assured had but lately received \$50 for furniture. What difference did it make to him, whether he received it from one source or another? He had his money; what more did he want? The local so argued to himself; then to the assured, and what is more, *convinced him!*

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#### AN ENCHANTED LAKE.

*Editor Knapsack*—Your General Order No. 6 found me totally unprepared. Having, however, served with distinction as Quartermaster in the Home Guard, I have some idea of military discipline. I know that to disregard your orders meant something worse than death. What, I did not exactly know, but a small uncertainty is worse than a great reality. You can wrestle with the one and try to flop it, but the other you can't tackle—and you don't know how its going to tackle you.

I wanted to resign. The President refused to *grant* my request, informing me that the member who resigned or deserted on the eve of battle would be shot—in the neck. This was better than uncertainty. Some men recover from this operation. I cudgelled my brain for something new to contribute. I have had several experiences—but there isn't a member of the Association with whom I have not swapped experience. In the innocence of my nature, I have given away my stock in trade. I tried finally to draw on my imagination for some facts, but I never could draw anything—not even beer. I have sat down with friends that were not any smarter than myself, and they could draw anything they tried to—while I couldn't draw even a little deuce. It would have been worth a hundred dollars, and I couldn't draw even a plain little deuce. Almost in despair, I finally concluded to furnish you with a little experience which has been heretofore untold, and shall call it

#### THE STORY OF THE ENCHANTED LAKE.

Away up North, in the wilds of Washington Territory, where the people live and wax fat on the products of the skill and energy displayed by insurance companies in picking up premiums in other parts of the world to distribute among them, situated in a desert of alkali sand, where nothing animate is seen except occasionally a jackass rabbit or a cayuse pony, is located a dark and dismal looking lake. It is a little lake, but its depth is yet unfathomed. Dark volcanic rocks lie in wild confusion upon its precipitous banks, as though at some time giants had hurled them from some mountain height. It is remote from towns and little visited by whites. The Indians

avoid it because an evil spirit dwells there. Space will not permit me to relate the terrible legend connected with this lake, but I know the legend is right in one respect—*the devil's in the lake*.

I was adjusting a loss in the little town of C——. The assured and myself could not agree. He wanted \$1,100. I was willing to pay \$100. He wanted it badly, and stuck out long and valiantly. I told him country life agreed with me, and I would stay a week or two with him. He was a nice man. He said he enjoyed my society, and would try and make it pleasant for me. He proposed going hunting. I borrowed a handsome shot gun, and the next morning he hitched up his team and we started. Now, I was not a gun sharp. I had not hunted since I was a boy, and then only such game as old sledge, euchre and rounce, and I didn't expect to kill more than one or two ducks. We arrived at the hunting ground on the shore of this desolate lake—"The Devil's Lake." My friend had filled me full of stories about this lake; said that the water was enchanted, etc. But I didn't feel at all alarmed, for I thought it was a mighty poor adjuster that couldn't stave off any spirit that lived on water. I started up one side of the lake, my friend the other side. Ducks were abundant. I killed two the first shot—the first ducks I had ever killed. I was wild with excitement. I didn't wait to get them out of the water; thought I would leave them until I came back. I continued to kill ducks, and left them in the water. After I had killed a thousand ducks, I became tired of the slaughter, and concluded to return and pick up my ducks on the way back, but being tired and thirsty, I took a drink of water from the lake, and as it was enchanted water, I thought I would let spirit fight spirit, and so diluted it with a little fine old whisky from my flask. Almost immediately after drinking, a delightful feeling of rest came over me, and I sat down to enjoy it, but suddenly I was alarmed by a most terrific vision. The clear sky became darkened. Long peals of thunder seemed to shake the earth; the vivid lightning rent the clouds into a thousand fragments. The quiet waters of the lake were lashed into a seething foam, and from its surface arose the thousand ducks I had killed, and as they arose they changed into demons, and, leading this wonderful throng was a gigantic form whose hideousness no pen can describe. I will not attempt to describe him, as you are all more or less familiar with him. It was the devil. He approached me, and in tones that made every hair on my head stand on end, said: "Why have you come here to disturb my rest, and kill my people? Who are you? Know you not the fate which awaits the rash mortal who trespasses here? You will be dragged into this lake and turned into a little devil!" "I beg your majesty's pardon," I stammered, "I didn't know your highness was so near. I am only a poor adjuster—" I did not get any further. His majesty's face underwent a sudden change, and he looked quite an amiable fiend. "Why didn't you say so before," he said, "I am always glad to meet one of your profession. I respect ability, and you are the only fellow that can stand off my best subjects on earth. I am sorry that I cannot ask you to spend a few days with me in my country seat, but I hold this part of my domain under a pretty good contract, and I fear that if

one of you adjusters get hold of it, you will find that I have violated some of the conditions, turn me out and run the business yourself. Don't be *too* hard on my friends. Good by," and he suddenly disappeared. The thunder and lightning ceased, the darkness disappeared. All nature was again at peace. I looked for my gun—it had disappeared. I walked back over the road that I had come looking for my ducks. Not a duck, dead or alive, was to be seen. I finally found my friend waiting for me. He had a wagon load of ducks. He laughed at my story, said that I had been asleep, that I hadn't shot any ducks, that some tramp had stolen my gun. When I got back to town, there was a great deal of "treating." I paid for it. I paid the owner of the gun \$45. As there was an adjuster's clause in my friend's policy, he saw the joke when we settled. The owner of the gun paid me the \$45 back, said he had another one and didn't want to be mean.

If any adjuster should have to travel in that part of the country, I would advise him not to rely too much upon my experience, for they have had so much experience up there of late that they are able to stand off most any adjuster, and his majesty therefore might have lost his respect for the profession. I don't imagine that any friend of mine will think otherwise than I do. I don't think I was asleep. I know I killed 1,000 ducks. I don't think my friend stole my gun and ducks. I think that lake is haunted. Up to that eventful day, I saw no reason to be glad that I was an adjuster, but I am satisfied that if I had been anything else, there would have been, on that occasion, the very d—l to pay. F.

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#### A VERY GRAVE JOKE.

At Montana last summer we enjoyed a good fat laugh. You remember, no doubt, that some of the boys made a pilgrimage to Helena in the interest of good underwriting, and one thing and another. Well, like everything from California, we had a reputation to foster and maintain, and succeeded fairly well in palming off frozen cheek for exterior polish.

The convention was in session and a particularly good feeling of genial friendliness prevailed between Atlantic and Pacific members, when one day a belated Eastern delegate put in an appearance. Hastily acknowledging introductions, he took other Eastern members aside and unfolded his tale thus:

"These California men are demoralizing everything by their loose way of doing business. Why, how do you suppose they adjust losses? They just forward a check for the amount by mail to the assured and never send an adjuster, by Jove! Think of it! no appraisalment, no papers, no adjustment; just a check for the amount. They explain it on the ground that they never insure for over one-half the value of the property; therefore a total fire is a total loss. Why, gentlemen, this will ruin the business. I had it direct not a week ago from the San Francisco agent of the 'Lion;' met him at Billings."

Shouts of laughter cut his story short, and *Sexton* was brought forward to explain.

The gentleman from Ohio "set 'em up," while he softly murmured, "Sold, by thunder!"

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#### A "STAR COMBINATION" CONUNDRUM.

What prominent hotel risk would properly be "star rated," if the rules of the Pacific Board attached in New York? The Astor-risk (asterisk\*).

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#### A LOSS BULLETIN.

Would it not be well to have one established at the office of the Union manager or other convenient locality, so that in case several companies were interested in a single fire, all might, if it seemed desirable, avail themselves of the services of a single adjuster, and otherwise act in harmony?

The query suggested itself the other day, when one of our adjusters, after making inquiries among a considerable number of companies, satisfied himself that no others were interested, and started to adjust a loss which he would gladly have entrusted to other hands. When arrived nearly at the scene of his labors he found that an adjuster, representing about the only companies he had *not* called upon, was a passenger, in another car, on the same train.

If there had been a bulletin board, like that proposed, each company would, as soon as it became notified of its loss, have announced its interest therein, and would have consulted the same board shortly after to see who their fellow-mourners were. Then concerted action could have been taken if desired. Cards of uniform style could be used in reporting losses, and these could be sent by the office boy to be tacked upon the board, and the same office boy could subsequently examine and report the list of sufferers, thus saving much valuable time which is now expended in running about from company to company, or perhaps in telegraphing to agents, for the purpose of ascertaining who else is interested.

The companies on this Coast are not so secretive as regards their losses as to render the publicity which would attach to this scheme an objection, and we can think of no other.

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#### SOME LOOSE THOUGHTS ON COMPACT MATTERS.

In the case of *Metzgar v. Cleveland & Adams*, before Judge Walker, of Indianapolis, page 855, vol. 13, Insurance Law Journal. A case to recover damages for a violation of a compact agreement. The Court said :

"Parties to agreements of this kind may voluntarily execute them themselves if they see proper. \* \* \* Relief is not refused on a breach of such agreements, that the party who made and violated the agreement may escape damages on account of any injustice or hardship to him, nor will the Court award damages, notwithstanding the attitude of such party before the

Court, but as I have said, because the first purpose of the Courts is to look to the welfare of the public. And if the enforcement of the agreement would be inimical to its interests, no relief could be granted to the party injured, even though it might thereby result beneficially to the party who made and violated the agreement."

In the eye of the law then, compact agreements and local boards are against public policy, and those who seek to govern insurance premiums by a fixed rate are restraining trade, hence both are illegal and their acts void. What an ingenious defence for a man of shifting morals. These organizations are composed of a number of men in the same line of business, having a friendly understanding or agreement, this agreement the Court construes prejudicial on the ground that competition is the life of trade. This may be true of other trades, oh, Judge! for there be tricks in all trades but ours. Burn more of midnight oil, wise Court, and read between the lines. Competition the life? Say rather the death! Do no fail to observe how earnestly members endeavor to stimulate and preserve private morals—in others. Is this prejudicial to public welfare? Listen to the pathetic appeals made by members, urging gentlemanly associates to recall to mind such of the ten commandments as have a bearing on business relations. Is this immoral? If a man devote nine-tenths of his time to reforming his neighbor, barely reserving one-tenth for the defense of his own character. Is this inimical to the interests of his fellow citizens? 'Twas ever thus, insurance cases *develop* the law, but justice! ah, that is another matter.

Still the Court says, "parties to agreements of this kind may voluntarily execute them if they see proper." I presume a dose of voluntary Prussic acid is allowable by that same token. In this community they do see proper, let us consider the volunteer crop. A voluntary association of like minded men have an agreement. Who signs the agreement, receives (as one may say) a certificate of character. Each member, and the company he represents is on an equality, one no better than another. The modest little company just started, cannot be crowded out of line by the big concern having only age, capital and accruing interest to recommend it, pay your money and take your choice.

The same rate is used by both, the same solicitor also; this solicitor is spared the necessity of mental labor, his law is a rate book made by a committee, under the direction of the organization. Knowledge of hazards or experience in business is not called into play (outside of the committee). Other members rejoice at their freedom. Exposures and deficiencies, twin bugbears, cease to annoy—valuable time can be devoted to other branches of the business (by all but the committee). The committee are the brains, the members may be said to be the stomach or liver, more or less in sympathy with the brains, according to digestion. The rate book is correct because it is the rate book, and he who liveth not up to its requirements shall surely die, says the committee.

Why kick against the pricks? I do not claim for this question that it is original, it has been a question from before the time when there was light

and heat, and kicking is still going on. With our volunteer association the kick seems to be principally directed at rates and when the "brains" become aware that the "members" are kicking, rates are reduced; the harder the kick the more the reduction. It would seem to be only a matter of time to kick rates all to pieces, whereupon if it please the Court we are in a position to become legally bankrupt. But before we seriously consider so serious a result, let us take a leaf from the experience of another. One who has outlived the varying vicissitudes of fluctuating fortunes and is settled on the straight and narrow path leading to his goal. A good man who dares to do his legal duty. Declining the overtures of "Association" people with virtuous pride. Refusing to listen to a proposal inharmonious with justice, he painfully represses his emotions and marks out a rugged road for himself. Death before dishonor. Martyrdom rather than loss of principle. Badgered in front by a demand to know why the company's receipts are smaller than other companies receipts. Badgered behind by agents who decline to serve unless extraordinary inducements are offered. Badgered on all sides by other managers with impertinent suggestions about "coming in."

What is commonly called the "heart," bleeds at this truly unhappy spectacle, an underwriter meekly pursuing a course for the love of right. There is another point of view of this case which can be illustrated by anecdote. Once a person was kicked down stairs, and painfully raising his eyes to the kicker he exclaimed with child-like grace: "I know what you want, you want me to stay down here." If you find room on this passing train of thought, dear hearer, I trust you will catch on.

But to resume—suppose in accordance with law we fight and wrangle, burst and die, what follows? My friend, nothing follows of interest if *you* are dead but if it be the company which dies, much of interest appears, for in the place of each dead corporate body springs newly fledged two others. While there is surplus capital there will be more insurance companies—12 per cent. per annum is an interesting income to contemplate. There will always be men to manage these companies, drawing larger salaries than other desk work offers. The whole subject is reminiscent of the portly person rushing wildly up hill, when he reaches what he thought the top he finds the commencement of another slope—with no time to lose, he labors out of view. The youth with the Excelsior banner was in the same line of business—he had just sense enough to wave his flag and yell; the benefits of warmth, and various kinds of refreshment so freely offered and so much needed, were spurned that he might get a little higher than his neighbors, his epitaph: Ambition, Inflation, Death. There is no law against it. G.

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"THERE'S CHEATING HERE."

The compact system makes strange bed-fellows, embracing as it does all classes of "underwriters," regardless of their previous Board, non-Board or free lance proclivities. The efforts to promote reform, and the rules some-

times introduced to hold the "other fellow," reminds us of a "little story" (as the lamented Lincoln would say):

A certain "sporting man" in one of the southern mines was noted for his success in always managing to hold a winning card at critical times in the games. He was dressed in the orthodox style of the miner-gambler of those days—long-legged boots, etc. From the top of these, a convenient card or two was readily drawn as occasion required. A by-stander, watching the movements and disposed to help his own partners at the table, quietly abstracted the trump cards from the boot-top receptacle and substituted cards of lesser value. The game went on, and the pot on the table grew to large dimensions. Our gambler reached for his trump card, and, with confident emphasis, threw it upon the table. Finding that his little game had been discovered, he arose more in sorrow than in anger, and exclaimed, "My God, gentlemen, there's cheating here!"

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#### A MIGHTY NIMROD.

It is not often we get an opportunity to repay the pensive proprietor of the *Coast Review* for the many little attentions of a personal nature scattered like "chips" through the columns of his journal. It is with pleasure at the originality of the sensation, also with good natural liberality that I give away the incident which comes at second hand, but is high.

Listen! In the season for rest and recreation he fled from business cares to the mountains. Loaded to the muzzle with traps, he went off—discharged himself so to speak—his aim, amusement, heaven save the mark!

In due course of time those of us who knew him least, were startled to hear of his deadly use of the rifle. We knew of his "game" hand, also his skillful use of the tomahawk, but were surprised to hear that each day he brought to the camp the body of a fine deer, each deer shot through the heart by a single ball. Old hunters sought him out. Lady campers from other springs came to gaze at him. Newspapers made mention of it. The members of his favorite club dined on venison sent with his compliments. In short with modest pride he consented to be the hero of the hour. Here the story ends to make way for facts.

Last spring an overworked special was told by his doctor to "let up," or die. He preferred to die, but was persuaded to seek the balsam of the red-woods. Here he found a trout stream and an old woodsman. His winsome ways won that woodsman's soul; one day in a burst of remorseful grief the woodsman confided to him his one great sin—which like the worm in the bud gnawed ever at his heart, and like a deep toned bell rang ever in his ear, Deceit-De-ceit-De-ceit. This was the story: Once upon a time dazed by the sight of gold, his scruples overcome by the sweet voice of the tempter, in an evil hour, after vain spasms of resistance, he fell. Each day for five successive days at a secure hour he brought to the wily stranger the dead body of a deer, each deer shot through the heart, and for this act he received the gold

which ever since had been to him a curse. Faintly breathing the great journalist's name, the woodsman fell into a deep swoon. Suffice it to say the Special Agent by the power vested him by his sacred calling, absolved the man and parting bade him go and sin no more. It is now brother Edwards turn to "chip" or "pass the buck."

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INTENTION TO CANCEL—WHAT IS SUFFICIENT NOTICE OF?

A reasonable time must be allowed before the cancellation is consummated, but what constitutes "a reasonable time" varies with the circumstances. We were forcibly reminded of this fact by the receipt of the following letter:

BEAUDAGO, January 15th, 1885.

*Kurnel McKinney*—Gallant Sur—I heered you published the most infloocential inshurance paper in this country, and so I writ to you to get your opinion about an outrage which has just been perpetrated upon a poor widdy, and to get you to show up the outragers in your next ishue.

The facts is these: I had a nice little saloon over at the Corners, well supplied with likers and segars, but the customers were not as noomerous as first indications had led me to beleieve, for I found that most of the red noses of the locality had come from private demijohns sent up by the wholesale leeches of San Francisco, who didn't care anything more about the Corners than what they could make out of them. Of course this was a stunnin' blow to local enterprise, but as I had one stedy customer, I managed to stand up under it for a while until I found that my stock was all gone and that the stedy customer didn't have "sope" enough to clane up any portion of his accounts on the slate. O'Cool was his name, but I made it hot for him, telling him I was ruined by his guzzlin', spend-nothin' ways; but he laughed at me and said that for ten dollars he would show me how, by a little business transaction, I could get even with the money-leeches of the Bay.

And so I inshured me little saloon and me less stock for one thousand dollars. The whole outfit had cost me to begin with eight hundred dollars, but dear knows I had had more than two hundred dollars worth of trouble; and as the traveling agent urged me to take a thousand dollars policy, I thought I would akomodate him. Then I moved to Bowdago, but O'Cool stopped at the Corners.

I paid my premium, although I have since been told that I needn't to have done it, but could just as well have had it deducted from the amount of the loss. That is the way we poor women are all the time getting fooled in business matters. Well, about two weeks after that, one of these peeked-nosed men they call "spechul agents" come to me at Bowdago and said he was going to cansel my policy. I told him not much; that I had paid for it, and was going to keep it. Then he called the stable-boy that was driving the carriage for him, and held out coin to me and offered to pay the

premium back to me—which of course I wouldn't take. And then he turned as big as life and said the policy was cancelled anyhow, as he had made a "tendur" of the coin in the presence of a witness. Then I began to weaken, and to think that to get my money back was better than nothing, and so I took it and gave up the policy. This was my fatal error. I might have known I couldn't get word to O'Cool in time, but I didn't think quick enough. As soon as the villain had left, I gave half of the money I had just received to a naghbor to drive me to the Corners, but before I arrived there I saw by the little cloud of smoke that I was too late. Me little property was in ashes.

I have since been told that a company was compelled to give reaasonable notice when it wants to cancel a policy, and as in this case I did not have time to get word to O'Cool, and on that account suffered a great loss that would not otherwise have happened. I think that I have a good case and could make the company pay the amount of the policy and my carriage hire and the ten dollars that O'Cool insists upon my paying him because he lived up to his agreement. What do *you* think?

Quite poorly yours,

MRS. E. R. MONEY.

P. S.—I see I have forgotten to mention the name of the company. God forbid you should be a friend of its manager, but as you may be so unfortunate, and as I want your opinion on the square and not on the bias, I will leave the name until after you give your decision. E. R. M.

As the foregoing seems to be a case not set down in the law books, and as similar cases have occurred, notably one of recent date in Contra Costa County, it is important that a decision should be given which would be recognized as authority in the future, and the editor therefore refers the matter to the Association.

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#### A SPECIMEN WITNESS IN AN ARSON CASE.

An adjuster holding an inquest on the stove-pipes, nails, door-locks and hinges, iron hooks, tin cans, and other fire-proof remains of a cowboy town in New Mexico during the lively times of 1882, learned that a valuable witness—a deputy sheriff, who knew all about the fire and the parties who started it, who was cow-ranching a few miles out—would be in town that evening, and as such a chance to get out of paying a loss was not to be missed, Mr. Adjuster laid for him, and a little after dusk found his man, who was fixed with a big pistol on each hip and a half bottle of whisky in his bosom, his appearance and gait leaving no doubt as to the disposition of the other half of the bottle of whisky.

An adjournment to the plaza, away from eavesdroppers, was necessary, and, after patiently listening to a little of everything except evidence in relation to the fire, and being a little nervous, Mr. Adjuster said: "Mr. Sheriff, your testimony might be of some use before a vigilance committee, but would

not do in court. You know enough of court proceedings to understand this." "Know enough of court proceedings," said the would-be witness; "I guess I do. I was tried for murder three times in this county."

Mr. Adjuster's heart came up in his throat, and inviting the witness to the nearest saloon to take a parting nip, quietly and gently let go of him, paid a total loss and retired in good order.

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One of the fraternity handed the following in with a far-away sort of look that convinced us that he was telling the truth:

A PIECE OF ADVICE.

My advice to young adjusters is not to judge too hastily of losses by their apparent magnitude or of anything by its *shape*, or they may experience the same trouble I had on my last trip East.

It came about in this way: I occupied the upper berth in our palatial Pullman, and was awakened one snowy night to find that our coach had broken loose from the train. I stood bravely on the platform for a time, swinging the red lantern for the engineer when backing down for us, but a temperature of 21 degrees below zero soon reminded me of my *very* undressed state; so returning quickly, I sat on the edge of the lower berth to pull on my pantaloons, when, spying the corpulent *shape* of my intimate friend and jovial companion since leaving San Francisco, so tightly wrapped in the blankets, I could not resist the temptation of calling him on deck, by a most lusty whack on the soft part of said form; but, lo and behold! instead of being answered by a jolly laugh from my friend, it was by the very loud angry words of an indignant lady, who showered them on me so hot and heavy that it took but a few moments before the male passengers and porter surrounded the scandal maker.

Never doubting but what I was sitting on the wrong bed and was putting on some other fellow's breeches, I hastily pulled them off, all the while offering my most profuse excuses to the offended lady, but without the least bit of effect. However, the porter took in the situation, and explained that I was in the right section, but that my jolly companion, having got off the train during the night, this lady had been given his place, and, with a knowing grin on his coal-black face, he added that the similarity of *shape* (when under the blankets) was the cause of my innocent liberties. M.

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The Knapsack has ground out the following which some present may recognize as an attempt at narrating an incident of a trip to La Porte last summer:

RABBIT-STEW—A LA FARNSWORTH.

'Twas way up in the mountains, and the sun was pouring down,  
While tree and bush were quivering as the over-heated ground  
Reflected back the fervency of Nature's strong caress,  
And the youthful green of spring had assumed its summer dress;

When a group of sweltering specials came swinging down the road  
Mid clouds of dust and rattling wheels. 'Twas an awful silent load;  
Their gems of thought and jokes had risen with the sun,  
Been offered to each other with an interspersing pun,  
Till everybody tired of the almost ceaseless chatter,  
And the wheels were left to roll with never-ending clatter.  
Some miles were traversed thus, and we all were getting crusty,  
The horses getting wearied, and everything quite dusty,  
When a pair of cotton-tails came jumping from the brush,  
And darted 'cross the road with kangaroo-like rush.  
A shout from all in chorus was followed by request  
That Ned should pull his shooter and prove to all the rest  
That his early-morning boast of steadiness of aim,  
Was not an emanation from his ever active brain.  
The team was stopped instanter and out he quickly stepped,  
While cotton-tail sat quiet as closer up Ned crept;  
Then halted, raised his arm and accurate he drew  
A bead on little rabbit. We all wanted rabbit-stew  
To add to the lunch in waiting at the famous "Boston Ranch,"  
So hardly dared to breathe, or any more than glance.  
The silence grew intense, till the pistol loudly popped—  
The rabbit gave a kick; his further ear he flopped;  
But never moved his body from the bloodless scene of slaughter, (?)  
While we fortified ourselves with another drink—of water.  
We offered some to Ned, for mounting to his brow  
We saw the deadly purpose—it's never or its now;  
But gracefully declining, he pointed Smith and Wesson  
At foolish Mr. Rabbit, who should be taught the lesson  
That only he who kicks and smartly runs away,  
May ever live to kick upon some other day.  
Again we held our breath; again did Snyder shout,  
As the living target winked and simply turned about,  
Till the cottony appendage which giveth it the name,  
Gleamed in all its splendor, and like the glowing flame  
Of deceptive *ignis fatuus*, led our marksman on once more,  
To try another shot and drench the ground with gore.  
Again the echoes sounded from the foothills lying shimmering;  
Again the sun looked down; hot, and hotter glimmering;  
Again the rabbit kicked; again did all look sad,  
For cotton-tail had skipped. The words Ned said were bad  
As he reluctantly got in and we started on the team;  
For we knew it all had happened; he thought it was a dream.

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A SLEEPY AFFAIR.

"The Knapsack without its K."

This is intended as a joke on the editor.

## A CALENDAR YEAR.

SAN FRANCISCO, February 12th, 1884.

COL. C. MASON KINNE, Editor California *Knapsack*:

DEAR SIR: The writer of this, who has been a "constant reader" and "old subscriber" to your valuable journal from its inception, has periodically, upon receipt of your courteous note, reminding him that the *Knapsack* has a most "capacious maw," and, like *Oliver Twist*, is constantly asking for "more," felt the pangs of conscience for not having, years ago, complied with your request and furnished material for "extra editions" and "Sunday supplements" to the *Knapsack*.

But on the whole, I think that you and your readers are to be congratulated upon having escaped the infliction of these valuable contributions.

I could furnish you with much interesting and entertaining matter; but at the present time will confine myself to a history of this Association, dwelling more particularly upon its incipency and birth, in the Silver Palace Car, at Virginia City, in the winter of 1875. Such a history will, I am sure, be received with delight by all readers; as a true history of the organization is known only to myself; and, I am sure, that no member of the Fire Underwriters' Association of the Pacific has ever heard of the early history of the Association, and the incidents relative thereto.

But, me-thinks, I see a yawn come over the open countenances of your readers, and a rush is made for the door to escape this narrative.

Perhaps on the whole, I had better refrain; but promise to furnish this for a future meeting, when the Association can sit with closed doors, locked and double barred, with the entire police force on the outside to prevent the escape of any.

Now to turn the subject for a moment. I presume that you, with others of our profession, are occasionally in receipt of communications from agents, or parties insured, that provoke a smile and tend to relieve the wearisome nature of office routine work.

A few days ago a communication was received by the *Pacific Mutual Life Insurance Co.* and finding that it was not intended for them, they handed it to the *Pacific Insurance Agency* of Jonathan Hunt, Son & Co., who in turn handed it to the writer, who is one of the representatives of the *Pacific Fire Insurance Co.* of New York. The communication is as follows:

"MUD SPRINGS, February 9th, 1885.

"*Pacific Fire and Marine Insurance Co.*, Dear Friends—I got my house insured in the aforesaid company. If you have a good calendar that you want hung in a conspicuous place please send me one, and if you come to the Springs next summer come up and see me  $1\frac{1}{2}$  miles above. I have got a house of 6 rooms, plenty of milk. If you know of anyone that wants to rent a house for the summer please mention this place. Yours truly,

JOHN SMITH BROWN."

We have since received reliable information that the mail contractor, on the route leading to Mud Springs "has struck for higher wages"; in fact, is bankrupt, caused by the extraordinary accumulation of printed matter passing through the mails within the last few days. The entire mule capacity of Mud Springs, and the towns adjacent thereto, has been insufficient to meet the demand for transportation of mail matter.

The mail contractor has applied to Congress for a relief, and the Commissioners of Lunacy have been telegraphed to at once to go to "Mud Springs," to inquire into the case of John Smith Brown, who is a "raving mania luniac" from the effect of the vast accumulation of calendars that have been sent him from the Pacific Mutual Life Insurance Co., the Pacific Insurance Agency of Jonathan Hunt, Son & Co., and the Pacific Fire & Marine Insurance Co., of New York; as well as from all the friends, neighbors and acquaintances of these parties, interested in a "Pacific Policy."

Beautiful chromos of flowers, birds and animals, and of young ladies in various stages of dress and undress, of Niagara Falls, Mt. Ætna, Mt. Vesuvius and Mt. Tamapais have been pouring in upon the poor afflicted Brown by the ton. Almanacs with calculations of siderial time, solar time, local time, standard time, railroad time, mean time and damn mean time have by this time rushed in, by mail and express, until all poor Brown's barns are full, and to accommodate this great surplus of printed matter he will have to build greater. (None of your readers need apply for the insurance on the new barn, as it has already been secured at full compact rates). Brown was heard to say in a lucid moment that he thought this was a *calendar* year.

Should any of your readers have calendars that they desire hung in a "conspicuous" place they will please forward them to Brown. A number of small boys have been employed to placard the fences of Brown's ranch with them.

It is hoped that every member of the Association will be able to visit the "Springs" some time during this coming summer, and that they will enjoy the hospitality afforded by the "six rooms" and "plenty of milk" referred to by Mr. Brown.

I am under the impression that every member of this Association will be anxious to rent the above mentioned house during the summer months, and in order that justice may be done to all, it is suggested that sealed bids be sent to the undersigned, care of the *Knapsack*. Very respectfully yours,

CONSTANT READER.

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IF.

"If wishes were horses  
Beggars might ride."

A trite old saying, but the sarcasm intended to be conveyed regarding vain longings is lost when the *Knapsack* unbosoms itself and pours out some pungent truths for the cogitation of its readers—so here goes.

*If* local agents would sometimes stop and think that the compensation they receive for doing their share of the work of putting protection in the hands of the property owner, is greater than the net profits of the insurer, some at least would not be so anxious to convince everybody that they are an overworked and illy-paid community.

*If* the companies that authorize local agents to do business for them would not be forgetful that human nature is human, and that the well-directed efforts of some most excellent representative, is worth more than those of the ordinary commission seeker, they could take such action as would stimulate the good agent to become better and better.

*If* all of our managers had been or would be scrupulously honest in their instructions or privileges allowed to agents, would carry out the letter and spirit of the regulations they mutually promise to abide by, would not weaken just when the word comes that they will lose a risk unless they do this or that or the other, then wise rules and conservative practices would prevail and several of our well-fed insurance people could look their confederates in the eye.

*If* we did not hear of cases where a fixed sum had been offered to secure the placing of lines of business, or of envelopes with varying amounts being found on the desks of some of our large mercantile houses the morning after policies are paid for, then we would begin to know that all of our agents and brokers were asserting the dignity of their profession, were being true to themselves and each other, and were nobly trying to be known as honest men.

*If* the man who wants to quit business real bad; the man who finds trade small and competition large; the man who sells most of his goods for cash, and then tries to realize on the balance at the face of his policy; the man with an honest fire but dishonest heart; in fact, if all rascals died young and no more were born, what joy there would be in trafficking in insurance.

*If* all men were honest; however; told the facts about the origin of the fire; made correct schedules; gave truthful values; signed candid statements, and thus had reasonable hopes of a happy future—then the adjusters' paths would be those of peace and prosperity—for a few months; but soon his days would be numbered and his voice heard no more in the land. His occupation would be gone, and he would hie himself to some far-off country and herd goats in the foot-hills to buy his children bread.

*If* legislators could but realize the necessity and decency of "hands off" when they attempt to legislate regarding matters they know little about and care less, then the propriety of calling our cranky Lovelis and Buhlerts by the realistic name of "cinchers" would be reduced to a minimum, and a great Boone would be conferred on a suffering insurance community.

*If* our adjusters would always get hold of the right man to cinch, and do it, good, then they would not feel it proper to make an average of salvage at

some honest but ignorant claimant's expense, and thus save lots of kicking, and rob our law-makers of much of their fancied necessity for action.

*If* our Association would agree upon some rule for the apportionment of losses under non-current policies and stick to it, then we shall have done something in the way of improvement, and asserted the principle that, knowing what is right, we dare practice it.

*If* such a rule were adopted, however, some of our smart Alecks could not get the best of a less experienced adjuster, and thus be deprived of the questionable pleasure of returning to his company and reporting that he had saved many shekels for them and beat his brother, all of which would sadden his heart and cause him to mourn for the halcyon days of, first come, first served, and may the worst man win.

*If* we would but put in practice the precepts that we all preach, we would at least gain credit for honesty of action as well as intention.

*If* we would but attempt to realize in this annual investment of thought we would soon learn whether there was anything like pay-gravel in the claim, or whether we should be compelled to pass our contemplated dividends on our capital—and finally

*If* The Knapsack was not just in the position it is; if it was the great Czar of all insurance matters, it would say that all these things *should* be instead of *ought* to be; but as it is, like the prayerful supplicant, it simply says: "We do not wish to dictate, Lord, but we would humbly suggest"—and so close

THE KNAPSACK.

The President—There is but little more to do now. The Report of the Committee on Library will be read by the Secretary.

## LIBRARY.

*To the Fire Underwriters' Association of the Pacific:*

Your Committee on Library for the year 1885 beg leave to report, that they received from their predecessors the sum of \$348.09, being the bulk of the fund raised by subscription during the last administration for the purpose of increasing the Library.

In July of last year, the Chairman of this Committee, while in New York, purchased from C. C. Hine the following works, which were duly shipped and are now on your shelves:

	Cost.
Vols. XL. and XLL. Law Journal, 2 vols.....	\$13 00
Hine's Instruction Book, 1 vol.....	2 50
Hine's Form Book, 1 vol.....	1 50
Griswold's Hand Book, 1 vol.....	1 50
Cancellation Tables, 1 vol.....	1 50

Dixon on General Average, 1 vol.....	\$4 00
Dixon's Marine Hand Book, 1 vol.....	2 00
Dixon on Law of Shipping, 1 vol.....	6 00
Parsons on Marine Insurance and Average, 2 vols.....	12 00
Duer on Marine Insurance, 2 vols.....	13 00
Ellis on Fire and Life Insurance, 1 vol.....	2 50
Emerigon on Insurance, 1 vol.....	6 00
Marshall on Insurance, 1 vol.....	6 00
Fox on Warranties, 1 vol.....	2 50
Angel on Fire Insurance, 1 vol.....	5 00
Arnold on Marine Insurance, 2 vols.....	21 00
Park on Insurance, 1 vol.....	3 00
Rogers' Principles and Practice, 1 vol.....	2 00
Stevens & Benecke on Insurance, 2 vols.....	4 00

Total, 24 volumes.....\$117 50

Which, in addition to our previous purchases, give us a collection of about 225 volumes, including all the established text-books, and which are sufficient for the present use of our members, and for the education of the many bright young minds now engaged in the study of our profession.

The fund remaining on hand, \$197.18, will suffice for a year or two for procuring copies of other desirable works, inclusive of such new ones as may make their appearance meantime.

As to the use of the Library, your Committee had intended to appoint the Board Surveyor as Librarian, and instruct him to keep a regular record of books loaned to members, and to prescribe rules for the circulation of the books, but the plan has not been put in operation, owing to the distraction resulting from the removal of the insurance headquarters, the engrossing cares of establishing the Pacific Insurance Union, and other preoccupations pressing alike upon the Surveyor, the Committee and the members. We, however, commend to our successors the idea that arrangements must be made for the circulation of the books, if the utmost benefit is to be derived from their use.

All whereof is respectfully submitted.

C. T. HOPKINS,  
GEO. D. DORNIN,  
A. J. BRYANT,

Committee.

SAN FRANCISCO, Feb. 12, 1885.

The President—The report of special committees having been incorporated in the papers read before the Association, and there being no unfinished business, we will now proceed to the election of officers.

Geo. F. Grant—I will go through the form of nominating Col.

C. Mason Kinne as President of this Association. It is customary for the Vice President to succeed the retiring President. Without taking up your time in expatiating on the good qualities of Col. Kinne, which you all well know, I beg to place his name in nomination.

H. M. Grant—I second the motion, and move that the Secretary cast the ballot.

(Ballot cast and Col. Kinne elected President.)

The President—I am pleased to announce that Col. C. Mason Kinne is elected President of this Association for the ensuing year, and will take occasion to state that whatever little disagreement there is between Col. Kinne and myself on the rule, he, as a ruler of this Association will work for its interests only, and will use his efforts for the benefit of every member. I believe it is the custom for the incoming President to at once assume office. Col. Kinne, you will please take the chair.

Col. Kinne—Certainly I may say that I am very much pleased at being taken by the hand by the retiring President, Mr. Sexton, and thus welcomed to the chair. I have always been interested in this Association, and shall be equally so for the next twelve months. What we all can do, and what we will do, if we do our duty, is to strive to improve ourselves in every direction possible. We should devote time to thought, and we may then give others the benefit of our reflection. We should all attend the meetings that may be called during the year, and endeavor to profit by them. I shall most assuredly do all I can to make the Association the success for the next twelve months that it has been in the past year. Nominations for Vice-President are now in order.

Mr. Gunnison—I nominate Mr. H. M. Grant.

Mr. Chalmers—I nominate Z. P. Clark.

Mr. Elliott—I nominate A. R. Gunnison.

Mr. Gunnison—I decline most positively. I cannot accept it.

Geo. F. Grant—In seconding the nomination of Mr. Clark, I do so with the same pleasure that I would second the nomination of any of our older members. Whatever of dignity there may be, whatever of reputation can be made by our members while occupying the chair of Vice President, and finally of President, it seems to me, is due the older members, for the reason that it comes slowly in rotation. I would very gladly second the nomination of any of our older members. I know that Mr. H. M. Grant will appreciate that feeling.

Mr. Carpenter—I would like to put in nomination Mr. W. L. Chalmers. I had his name in mind before any nominations were made, but was forestalled. He is one of the old members who has taken an active interest in the Association from the time of its organization. I think there has very seldom been an annual meeting, or a continuation of an annual meeting, at which Mr. Chalmers has not been present. I think we ought to recognize the interest he has taken in the Association by putting him in the line of promotion.

W. L. Chalmers—I must positively decline.

H. M. Grant—I am fully sensible of the honor which has been bestowed upon me, as I did not seek for the office, but I feel that it is certainly right to give the preference to the older members, and I beg to decline, as I feel it is a position that could be filled more ably by those who have been familiar with the workings of this Association for past years.

Col. Kinne—If there are no objections, the Secretary will be instructed to cast the ballot for Mr. Clark.

So ordered, and Mr. Clark declared elected.

The President—Next in order are nominations for Secretary.

Mr. Elliott—I nominate Mr. Farnfield for Secretary.

Mr. Farnfield—I cannot serve, as I will be away from town most of the time. I must respectfully decline the nomination.

Mr. Chalmers—The Secretary should be some gentleman who is permanently located in the city. During the past year Mr. Farnfield has been away most of the time. Now, we have had a gentleman acting in that capacity on a former occasion to the entire satisfaction of everybody, and he is now permanently located in the city, and I think he ought to be elected Secretary. I refer to Mr. Naunton.

Mr. Carpenter—I second the nomination.

Mr. Naunton—I would rather not serve.

The President—If there are no other nominations the Secretary will cast the ballot. (Ballot taken). It gives me pleasure to announce that Mr. Naunton is duly elected Secretary for the ensuing year.

The next business is that of electing an Executive Committee composed of three.

It was moved that the present Committee be continued in force, the following gentlemen being members thereof: Geo. F. Grant, H. W. Snow and Oliver Hawes.

The President—You have placed in nomination the above mentioned gentlemen. Are there any other nominations. If not, the nominations will be declared closed. As there are no others the Secretary is instructed to cast the ballot for Messrs. Grant, Snow and Hawes. (Ballot taken, and the gentlemen declared elected.)

Mr. Gunnison—I move that the sum of \$50 be placed to the credit of our retiring Secretary. (Seconded.)

The President—It is moved and seconded that the sum of \$50 be placed to the credit of our retiring Secretary, Mr. Farnfield. (Carried.)

Mr. Farnfield—I appreciate your kindness in awarding me this sum, and I only wish I could have been a better Secretary than I have been. Thanks to Mr. Naunton and Mr. Staples, I believe the duties of the office have been attended to, but it is simply a case of “I could not help myself.”

Mr. Gunnison—I believe it has been customary for us to pass a resolution of thanks to the *Coast Review* for its services during the year, which they have so kindly rendered us. I make a motion to that effect. (Motion seconded and carried.)

A. R. Gunnison—Before we adjourn, Mr. President, I wish to say that we might, if we had more time, discuss matters of interest to this meeting, especially that which is agitating the Association of the Northwest and insurance circles in regard to the Co-insurance clause and the “Three-fourth” clause. I am sorry we cannot, as I would like to let them know that we are alive to the subject and that we are not completely dead to matters that are of interest to insurance men.

The President—Is there anything further before this meeting?

Moved to adjourn.

The President—It is moved and seconded, that the Annual Meeting of this Association now adjourn. Carried, and Association adjourned.

FINIS.

At the conclusion of the first day's session, the members assembled in the evening at the Maison Dorée to partake of their Annual Dinner, and half a hundred of the members sat down to a substantial and appetizing banquet, to which all did full justice. Regular and volunteer toasts, songs and anecdotes closed the festivities at a late hour.

## LIST OF MEMBERS.

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- ✓ L. L. Bromwell, Secretary, California Insurance Company, and General Agent, Union Insurance Company of New Zealand.
- Geo. F. Grant, Special Agent and Adjuster, North British & Mercantile German-American Insurance Companies.
- Z. P. Clark, General Agent, Commercial Union Assurance Company.
- Wm. Sexton, Assistant Manager, Lion, Orient and Washington Fire Insurance Companies.
- A. D. Smith, General Agent, Amazon, American Central, Niagara, Pacific and Northwestern National Insurance Companies.
- ✓ Geo. W. Spencer, Manager, London & Lancashire, Manchester and Continental Insurance Companies.
- J. W. Staples, Manager, Scottish Union & National Insurance Companies.
- E. Brown, General Agent, Phoenix, American and Star Insurance Companies and the Insurance Company of Pennsylvania.
- A. J. Bryant, President, State Investment and Insurance Company.
- J. R. Garniss, Fire Insurance Adjuster and General Agent, Fidelity and Casualty Company.
- J. D. Bailey, Secretary, Union Insurance Company.
- A. R. Gunnison, Special Agent and Adjuster, Commercial Insurance Co.
- Robert Dickson, Manager, Imperial, London, Northern and Queen Insurance Companies.
- Geo. D. Dornin, Manager, Lion, Orient and Washington Fire Insurance Companies.
- \*Henry Smith, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.
- H. W. Snow, General Agent, Amazon, American Central, Niagara, Pacific and Northwestern National Insurance Companies.
- ✓ W. J. Landers, General Agent, Guardian Assurance Company.
- E. E. Potter, Secretary and Treasurer, Sun Insurance Company of California, and General Agent Williamsburg City Insurance Company.
- J. F. Houghton, President, Home Mutual Insurance Company.
- W. J. Callingham, General Agent, South British & National and City of London Insurance Companies.
- †D. L. Kirby, Associate Manager, Royal Canadian Insurance Company.
- †W. W. Dudley, Illinois State Agent, German American Insurance Company.
- Wm. Macdonald, Manager, Connecticut Insurance Company.

- C. T. Hopkins, President, California Insurance Company, and General Agent Union Insurance Company of New Zealand.
- W. L. Chalmers, Special Agent and Adjuster, Fire Insurance Association of London.
- J. R. Hamilton, late Manager, Commercial Union Assurance Company.
- T. C. Grant, General Agent, North British & Mercantile and German-American Insurance Companies.
- Chas. H. Cushing, Secretary, State Investment and Insurance Company.
- \*W. J. Stoddard, Agent, New York Underwriters' Agency, etc.
- \*D. Flint, Manager, Hartford Fire Insurance Company.
- \*J. Mann, Agent, Hutchinson & Mann's Agency.
- Julius Jacobs, Agent, Jacobs & Easton Agency.
- Geo. Easton, Agent, Jacobs & Easton Agency.
- †Jas. Kip, formerly of the London Assurance Company.
- Dave Rorick, Perry, Jefferson County, Kansas.
- C. P. Ferry, Adjuster, with New Zealand Insurance Company.
- †E. E. Ryan, Agency, 110 La Salle street, Chicago, Ill.
- Oliver Hawes, General Agent, Bowery & Howard Insurance Companies.
- S. O. Hunt, General Agent, Jonathan Hunt, Son & Co.'s Agency.
- D. J. Staples, President, Fireman's Fund Insurance Company.
- Wm. Frank, General Agent, Hamburg-Magdeburg and Germania Fire Insurance Companies.
- \*Henry Balzer, Agent, Svea, North German and Helvetia Insurance Companies.
- C. M. Nichols, Assistant Manager, Pacific Insurance Union.
- O. H. Cole, Adjuster, Portland, Oregon.
- T. A. Mitchell, Agent, Jonathan Hunt, Son & Co.'s Agency.
- C. Mason Kinne, Special Agent and Adjuster, Liverpool & London & Globe Insurance Company.
- J. C. Jennings, General Agent, New Hampshire Insurance Company.
- Geo. E. Butler, General Agent, S. F. Agency Phoenix Assurance Company of London, British America and Western Assurance Companies of Canada.
- Chas. D. Haven, Resident Secretary, Liverpool & London & Globe Insurance Company.
- E. W. Carpenter, Assistant Secretary, Firemans Fund Insurance Company.
- †W. N. Olmsted, 62 Cedar street, room 10, New York City.
- Geo. W. Dornin, with Lion, Orient and Washington Fire Insurance Companies.
- W. P. Thomas, Special Agent and Adjuster, South British and National Insurance and City of London Insurance Companies.
- Louis Mel, Special Agent and Adjuster, Royal, Norwich Union & Lancashire Insurance Companies.
- J. P. Cox, with Hutchinson & Mann's Agency.

- †J. G. Edwards, Editor *Coast Review*, 320 Sansome street, San Francisco.
- †A. Hill Jack, General Manager, National Fire & Marine Insurance Company of New Zealand.
- R. H. Naunton, Special Agent and Adjuster, South British & National and City of London Insurance Companies.
- T. E. Pope, Special Agent and Adjuster, Ætna Insurance Company.
- S. E. Strickland, Fire Insurance Adjuster.
- S. B. Riggen, Special Agent and Adjuster, Portland, Oregon.
- Alfred Stillman, Manager, Pacific Insurance Union, San Francisco.
- W. G. Elliott, City Agent, Lion, Orient and Washington Fire Insurance Companies.
- Rudolph Herrold, General Agent, Hamburg-Bremen Insurance Company.
- Thos. W. Fenn, Special Agent and Adjuster, Jacobs & Easton Agency.
- Chas. P. Farnfield, General Agent, Union Insurance Company, S. F.
- L. B. Edwards, General Agent, Oakland Home Insurance Company.
- Homer A. Craig, General Agent, Brown, Craig & Co.
- William J. Dutton, Secretary, Firemans Fund Insurance Company.
- Ed. P. Farnsworth, Special Agent, Hutchinson & Mann's Agency.
- H. K. Belden, Special Agent, Hartford Insurance Company.
- A. C. Donnell, City Agent, California Insurance Company.
- Ferd. K. Rule, Special Agent, Butler & Haldan's Agency.
- B. Faymonville, Special Agent, Firemans Fund Insurance Company.
- S. D. Ives, Special Agent, Firemans Fund Insurance Company.
- F. T. Hoyt, General Agent, Oakland Home Insurance Company.
- †C. B. Hine, Editor *Insurance Monitor*, New York.
- †W. J. Brodrick, Insurance Agent, Los Angeles.
- E. A. Halsey, with Messrs. Hutchinson & Mann.
- D. B. Wilson, Special Agent, with Brown, Craig & Co.'s Agency.
- Geo. F. Ashton, Special Agent, Connecticut Insurance Company.
- O. N. Hall, Special Agent, with Scottish Union & National Insurance Companies.
- A. R. Gurrey, Special Agent, Imperial, London, Northern and Queen Insurance Companies.
- C. B. McHenry, Special Agent, German-American Insurance Company.
- J. W. G. Cofran, Manager, Portland, Oregon.
- H. C. L'hote, Special Agent, Western Insurance Company of California.
- W. F. Herrick, Adjuster, Commercial Insurance Company of California.
- H. M. Grant, Special Agent, with Balfour, Guthrie & Co.
- Henry Dobinson, General Agent, Portland, Oregon.
- †G. F. McLellan, Insurance Agent, Los Angeles.
- Franz Jacoby, General Agent, Providence-Washington and Prussian National Insurance Companies.
- G. Touchard, President, Union Insurance Company, of California.

- R. V. Watt, City Agent, with Smith, Snow & Moody.  
R. S. Robbins, Special Agent.  
W. S. Davis, City Agent, with Brown, Craig & Co.  
C. F. Mullins, Manager, Commercial Union Assurance Company.  
C. E. Moody, General Agent, Amazon, American Central, Niagara, Pacific and Northwestern National Insurance Companies.  
John Landers, General Agent, Glasgow & London Insurance Company.  
Melville S. Levy, Special Agent, with Jacobs & Easton.  
Richard Faraday, General Agent, Providence-Washington & Prussian National Insurance Companies.  
D. B. Bush, Jr., Special Agent, Home Mutual Insurance Company.  
T. J. Conroy, Special Agent, with Balfour, Guthrie & Co.  
A. J. Wetzlar, Fire Insurance Adjuster.  
†B. B. Lee, Insurance Agent, Red Bluff.  
†Peter Winne, Insurance Agent, Denver, Col.  
Chas. R. Story, Secretary, Home Mutual Insurance Company.  
Walter H. Holmes, Special Agent, Phoenix & Home Insurance Companies.  
S. B. Haldan, General Agent, Phoenix of London, British America and Western of Toronto Insurance Companies.

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† Honorary Members.

# Fire Underwriters' Association of the Pacific.

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## OFFICERS FOR THE YEAR 1885-86.

C. MASON KINNE.	PRESIDENT.
Z. P. CLARK.....	VICE-PRESIDENT.
R. H. NAUNTON.....	SECRETARY.

## EXECUTIVE COMMITTEE.

GEO. F. GRANT,	H. W. SNOW,	OLIVER HAWES.
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## STANDING COMMITTEES,

### *Local Agents.*

LOUIS MEL,	E. P. FARNSWORTH,	GEO. F. ASHTON.
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### *Forms of Policies.*

WM. MACDONALD,	W. L. CHALMERS,	E. E. POTTER.
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### *Losses and Adjustments.*

F. K. RULE,	W. P. THOMAS,	C. P. FERRY.
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### *Legislation and Taxation.*

A. D. SMITH,	W. J. LANDERS,	T. A. MITCHELL.
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### *Fire Department and Water Supply.*

ROBT. DICKSON,	A. R. GUNNISON,	T. E. POPE.
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### *Statistics.*

A. P. FLINT,	E. W. CARPENTER,	A. C. DONNELL.
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### *Library.*

GEO. SPENCER,	WM. SEXTON,	S. O. HUNT.
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"California Knapsack," GEO. F. GRANT, Editor.



